John Menzies plc

Annual Report and Accounts 2017

24:7

John Menzies plc provides essential support services to fast-moving markets, operating 24/7 in 36 countries around the world.

MENZIES AVIATION

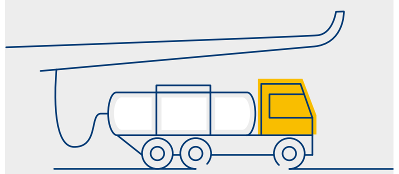
For more see our Business Review on p14

Ground Handling

We provide front-line airport services both above and below the wing, ensuring passengers and aircraft complete journeys efficiently and on schedule.

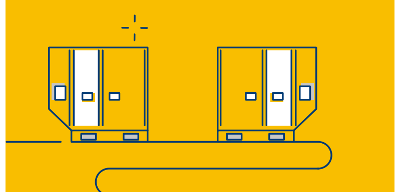
Fuelling

We provide into-plane fuelling services and fuel farm management to airlines, airports, oil companies and other partners across the world.



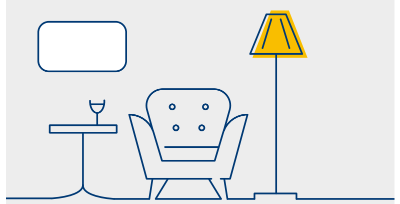
Cargo Handling

We facilitate transportation of goods by accepting, storing and preparing cargo for worldwide transit with our airline customers.



Executive Services

Our Executive Services offering, which includes services such as lounge provision and meet-and-greet, enhances the comfort and convenience of executive and VIP air travel.

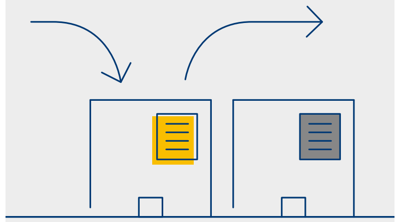


Offline Services

We support airline customers with enabling services, such as maintenance, which take place outside the scope of their regular flying schedules.

Cargo Forwarding

Our neutral Cargo Forwarding services provide shippers with the most convenient and competitive way to move consignments around the world.



MENZIES DISTRIBUTION

For more see our Business Review on p24

Highlights of the Year

Profit Before Tax
£26.7m
↑ 35%

Underlying Operating Profit
£77.9m
↑ 41%

Operating Cash Flow
£109.9m
↑ 47%

Dividend Per Share
20.5p
↑ 11%

MENZIES AVIATION

Our customers are entitled to expect the best, so we aim to deliver nothing less than excellence, from touchdown to takeoff.

For more see our Business Review on p14

What We Do

We offer landside and airside services tailored to our customers' needs, timed to their schedules and delivered by teams with the knowledge, tools and passion to set the highest standards worldwide.

Lounges

Eventyr Lounge elevates our Executive Services offer

For more see our Strategy in Action on p21

Aviation Strategic Priorities

1. SETTING THE HIGHEST STANDARDS FOR SAFETY, SECURITY AND PERFORMANCE
2. HAVING THE DEEPEST COMBINATION OF SERVICE PORTFOLIO AND GEOGRAPHY
3. HAVING THE MOST SOPHISTICATED TECHNICAL SOLUTIONS

For more see p15

Performance Overview

Underlying Operating Profit

£58.8m

↑ 72%

For more see p14

ASIG: A NEW FUELLING FRONTIER

For more see our Strategy in Action on p16

13:10 GMT

Brian Wood, Ramp Agent, takes part in the turnaround of a wide-bodied aircraft.

MENZIES DISTRIBUTION

Providing time-critical logistics and delivery, around the clock, against the clock, since 1833.

For more see our Business Review on p24

What We Do

We provide logistics services, specialising in the consolidation and delivery of time-sensitive goods to retail, newstrade, parcel and freight sectors across the whole of the UK and the Republic of Ireland.

Performance Overview

Underlying Operating Profit

£24.8m

↑ 0.4%

For more see p24

07:50 GMT Nadia Grocott, Parcels Operative, begins her round in Central London.

GNEWT CARGO: OUR LEAP INTO ELECTRIC VEHICLE DELIVERIES

For more see our Strategy in Action on p26

Distribution Strategic Priorities

- NATIONAL PRESENCE 1
- MULTIPLE VALUE PROPOSITIONS 2
- COMPETITIVE ADVANTAGE 3
- FOCUS ON HIGH STREET B2B 4
- OPTIMISE EXISTING RESOURCES 5

For more see p25

10:45 GMT

Chris Powley, Multi-Drop Collection Delivery Driver, passes near Kinlochlewe, Scotland, on an outbound consumer delivery run.

Chairman's Statement

LOOKING TO THE FUTURE

Dr. Dermot F. Smurfit
Chairman

Dear Shareholder,

A Robust Platform
My first full year as Chairman of John Menzies plc has proven to be an exhilarating one that has strongly reinforced my belief in the significant potential that exists within the Group. The acquisition of ASIG at the beginning of 2017 was a transformational deal that substantially increased the pipeline of opportunities available to us and, significantly, represented a step change in the trajectory of our Aviation business. Unsurprisingly, therefore, the seamless integration of ASIG into our operations was a key focus during 2017. To ensure a robust platform was in place to support the enlarged business, a dedicated integration team was established and tasked with the successful integration of ASIG and anticipated synergy delivery. I am pleased to report that the integration team is delivering on time and exceeding the projected synergy target.

From a Group structure perspective, I, together with my fellow Board members, continue to believe there is strategic merit in and potential shareholder value to be created by separating the Aviation and Distribution Divisions into strategically focused and independent businesses.

Accordingly, following termination of discussions with the DX (Group) plc and as announced in our Trading Update in November 2017, the Board appointed NM Rothschild to assist in undertaking a strategic review of Distribution with the objective of assessing the optimum route to split the Group and create two strong market players. Following the review, a sale process for Menzies Distribution has begun.

MY FIRST FULL YEAR AS CHAIRMAN OF JOHN MENZIES PLC HAS PROVEN TO BE AN EXHILARATING ONE THAT HAS STRONGLY REINFORCED MY BELIEF IN THE SIGNIFICANT POTENTIAL THAT EXISTS WITHIN THE GROUP.

Read our Business Reviews on p14 and p24

Governance
In our journey to be regarded as the undisputed market leader in the Aviation Services industry in terms of the quality of service we provide, we recognise that we must distinguish ourselves from our competitors through setting the highest standards in safety, security and performance. Our continuous drive to enforce standardisation and transparency across our networks is critical to achieving this, together with the rigorous corporate governance systems and processes we have implemented that ensure risks are mitigated and quality prioritised. As detailed later in this document, health, safety and security are at the heart of our business activities; optimum health, safety and security practices promote the interests of our stakeholders and are fundamental to the welfare of our People and the success of the Group more generally.

Board Changes
Dermot Jenkinson, the Company's longest serving Director, intimated his intention to retire from the Board in August of last year. Dermot formally stepped down at the end of October 2017, having first been appointed to the Board in 1985 as an Executive Director and serving as a Non-Executive Director from 1999 onwards. I would, again, like to thank Dermot for the outstanding contribution he made to the Group throughout his 32 year tenure; over the years he not only provided continued representation of the founding Menzies family's interests, but also possessed a deep insight and knowledge of our business which, when coupled with his astute business acumen, proved invaluable.

I was delighted to welcome a new Non-Executive Director, Philipp Joeinig, to the Board in June 2017. Philipp's considerable Aviation Services and management consultancy experience serves to broaden the Board's knowledge base and skillsets and also strengthens the Group's overall leadership as it positions itself to become the market leader in the Aviation Services industry. I am confident that our current Board, together with Senior Management, is well-positioned to drive the Group's strategic objectives and priorities in 2018 and tackle the ever-changing needs of our operations.

Looking Forward
Throughout 2018 we will remain on our quest to become the premium provider in the Aviation Services industry. We will continue to explore ways of creating shareholder value through optimisation of the Group's structure whilst investing in infrastructure and innovation throughout our networks. Underpinning this will be the required investment in our People, which remains a high priority for the Board as evidenced by the constitution of our new Human Resources Board Committee at the beginning of 2017 and the inaugural appointment of Claire Hall as Group EVP People. As a people-focused business these are both developments that I am excited about and which underline our strong commitment to investing in our most valued resource.

Both myself and the rest of your Board look forward to 2018 with renewed vigour.

Dr. Dermot F. Smurfit
Chairman
12 March 2018

Market Review/Menzies Aviation

A SECTOR IN GROWTH

Menzies Aviation operates in a range of markets that serve the needs of the growing Aviation Services sector.

Ground Handling

The Ground Handling market provides operational and logistical support to the world's airlines. Participants in the market include airline inhouse operations, airports and outsourced providers such as Menzies Aviation.

Ground handlers perform the processes which allow an aircraft to be 'turned', an industry term that covers receiving an incoming flight, offloading passengers and their belongings, and preparing it to depart again on its next journey.

The marketplace is highly fragmented, with many small handlers – limited in the services they offer or the locations in which they operate – and a handful of large businesses with international portfolios. The four largest handlers account for approximately 10% of the Ground Handling market.

In 2017 approximately 36m turns were carried out globally, of which an estimated 10.2m were outsourced by the airlines. By 2021 it is expected there will be approximately 44m aircraft turns undertaken globally, of which around 12.2m will be outsourced.

A combination of general growth in the air passenger market, expected to be 4.7% per annum according to Boeing's Current Market Outlook 2017-2036; particular growth amongst low-cost carriers, for whom outsourced Ground Handling is typically central to their business model; and a general trend towards increased outsourcing amongst full-service airlines is expected to maintain the pressure to outsource operations over the medium to long-term.

Businesses undertaking airport operations require a range of certifications, training and vetting to address issues of safety and security. Significant investment in equipment to establish each operating location is also needed, together with substantial insurance cover levels and a reputation strong enough to reassure airlines and airport authorities that they are properly equipped to meet the exacting standards demanded of them.

Fuelling

Providers in the Fuelling market offer two distinct services: into-plane fuelling ("**ITP**"), which deals with the delivery of fuel to individual aircraft in preparation for their upcoming journeys, and fuel farm management ("**FFM**"), which is concerned with the storage, management and accounting of fuel supplies on airport campuses.

Oil companies often maintain a strong market presence, retaining partial ownership of ITP agents or sub-contracting ITP and storage services to companies such as Menzies Aviation, whilst retaining ownership of physical assets. In North America, airline customers usually outsource these services to service providers such as Menzies Aviation individually or through consortia.

Environmental and safety risks are a primary concern in both these sectors. In delivering fuel supplies to aircraft, ITP agents follow a strictly controlled process which accords with the specifications of both the airline and the manufacturer; FFM providers are charged with ensuring that only clean fuel of the requisite quality is stored and distributed via their facility.

Both providers must also satisfy the rigorous legislative conditions, local and otherwise, and meet industry benchmarks and customer requirements.

Participants in the Fuelling market face the same requirements as ground handlers with regard to security, control, certification, training and vetting. They must also apply an increased focus on environmental issues, due to the risks associated with handling petroleum-based products. Large initial investments in station equipment, substantial insurance cover levels and adherence to exacting government and industry standards are essential to the establishment and continuance of Fuelling operations.

Cargo Handling

The Cargo Handling market serves the demand for the quick and reliable transportation of high-value, time-sensitive cargo throughout the world. While land or sea routes are utilised for approximately 99% of all cargo volume, companies typically choose to fly the most costly or perishable items – which account for 35% of international trade by value, if only 1% by volume – where prompt delivery is worth the additional expense.

Over 50m metric tonnes of cargo are transported annually by air. There is significant concentration around the world's emerging markets, with nearly 50% of tonnage passing through the Middle East and South East Asia.

According to Boeing's Current Market Outlook 2017-2036, air cargo traffic is forecast to grow 4.2% annually over the next two decades.

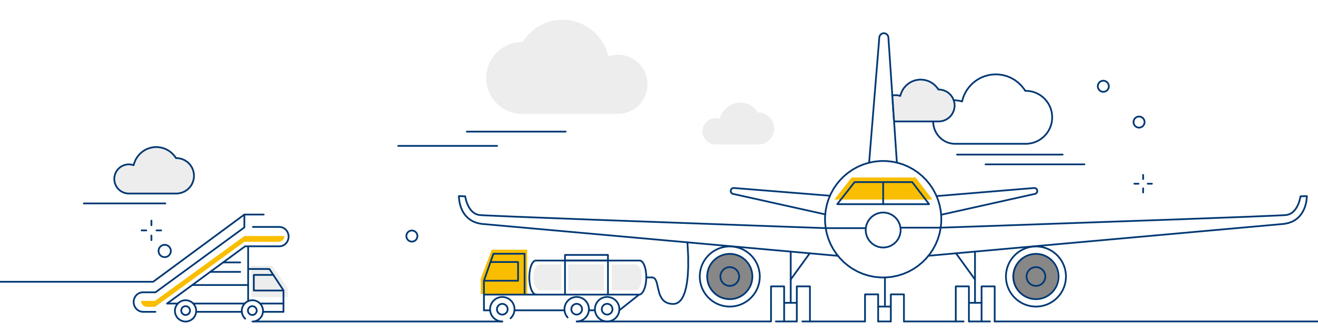
Cargo Handling requires approval from the appropriate regional regulator together with significant investment in infrastructure and equipment, although this is likely to decline as digital technology, capable of automating its processes, spreads.

Cargo Forwarding

Within the air cargo market, carrying capacity is sold in units of a fixed, minimum size. However, demand exists to send smaller shipments and is served by freight forwarders or consolidators, such as Air Menzies International, that purchase carrying capacity in bulk and resell it to their customers in smaller portions.

Typically a freight forwarder does not move goods but rather arranges their transit and may provide related services such as collection, customs clearance, transportation, security clearance, security screening, documentation and storage.

Establishing a broad service offering of this kind requires investment in key equipment, such as security scanners, warehousing capacity, and, most importantly, specialist industry knowledge and excellent relationships with airlines.



Market Review/Menzies Distribution

OPPORTUNITIES AHEAD

Menzies Distribution leverages its network and historical expertise to serve a portfolio of markets in the UK and Irish logistics sectors.

Print Media

The Print Media market largely comprises the 'newstrade', the publishing and distribution of news and magazine products throughout the UK and the Republic of Ireland.

Publishers produce the material and convey it to wholesalers, such as Menzies Distribution, for onward delivery to retailers. In the course of a distribution cycle, a wholesaler must break down bulk product, pick and pack titles into orders specific to each retail customer and provide 'final mile' delivery to their locations within testing deadlines.

The marketplace is challenging, with print volumes declining in the face of increasing digitisation and falling advertising revenues. Wholesalers must leverage economies of scale and find technical or process improvements on an ongoing basis to offset the resulting decline in revenues.

Entry to this market requires a high level of investment in an appropriate depot network, sophisticated IT and automated processing systems, together with exclusive publisher contracts.

Parcel Logistics

The UK Parcel Logistics market provides a cost-effective means for consumers and businesses to move consignments of goods around the country.

Packages are collected from businesses or consumers by vehicles associated with the major parcel networks and then brought to their sortation hubs. After being sorted into trunk-loads by geography and class of service, bulk parcel supplies are then carried to distribution centres where they are divided into vehicle runs for final mile delivery.

In some areas, this final mile distribution will be undertaken by the major carriers themselves; in others, regional agents or neutral consolidators, such as Menzies Distribution, will perform the service on behalf of the carriers.

The market is experiencing a period of sustained growth, driven by the boom in e-commerce: according to Mintel's Courier and Express Delivery UK 2017 report, 2.8bn packages and parcels were delivered in 2016, representing an increase of 65% since 2012, a figure which is projected to increase a further 33% by 2021.

Operating profitably in this market, particularly in high cost-to-serve areas such as Menzies Distribution's territories in rural Scotland or Central London, requires volumes of considerable scale, a depot network fit to handle those volumes and significant investment in integrated IT systems.

Retail Logistics

The UK Retail Logistics market supports the B2B distribution of products from warehouses and distribution centres for delivery to retail stores.

Product consignments are collected from distribution centres in bulk and then conveyed to individual high street locations through a pattern of radial deliveries.

The market is benefiting from rising pressure on high street retail, which leads to businesses outsourcing retail logistics to maximise efficiency. The rapid and continuing growth of e-commerce is also injecting volume into this market.

Entry into the Retail Logistics market requires scale, reputation, satisfaction of stringent licensing and insurance requirements and the ability to adhere to ever-tightening timeframes.

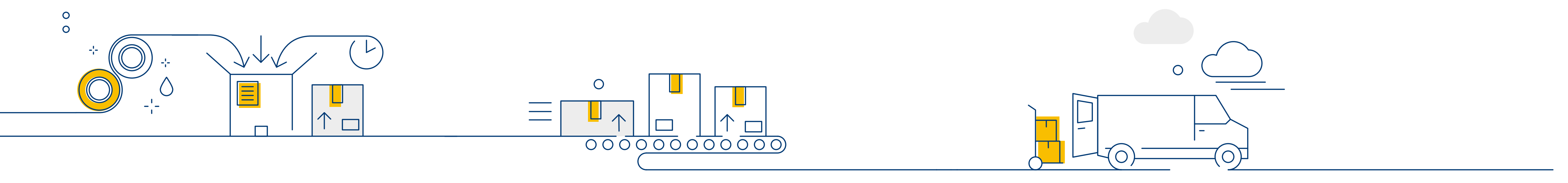
Specialist Media Distribution

Beyond the mass delivery of publications to retail outlets, a demand exists for such products to be provided in specialised locations outside the usual supply chain.

Micro-delivery specialists, such as Menzies Distribution's business JYL Hand to Hand, distribute print media products to government departments, corporate headquarters, travel hubs and commuters, particularly in the case of free publications, on behalf of their publishing customers.

The decline of the traditional paid-for news and magazine market creates opportunities for the free market, and an increasing proportion of publishers are expressing an interest in transferring to free specialist distribution.

Specialist media distributors such as JYL Hand to Hand benefit from long-standing relationships with clients and contracts that are typically negotiated in one to three year cycles. In certain key sectors there are also stringent security, licensing and process control requirements which are challenging to overcome.



Our Business Model

By utilising our highly skilled people, global infrastructure and other key resources in the delivery of a clearly defined strategy, John Menzies plc seeks to deliver stakeholder value and sustainable returns.

Inputs
Utilising our capabilities...

Our People
We have a workforce of over 36,000 highly trained employees who drive our productivity.

Our Infrastructure
Established network gives us the reach to serve customers from more than 265 locations on 6 continents.

Our Relationships
We enjoy the hard-earned status of a trusted partner with many of the world's major airlines.

Our Strategy
We have a clear, globally-shared vision of how to forge success.

Our Values
We foster a culture of excellence, trust, respect and pride.

Menzies Aviation's earnings come from the following activities:

For more see p8

Ground Handling
Performing aircraft turns, managing passengers and handling baggage.

Fuelling
Providing into-plane fuelling for airlines and managing fuel farms for our partners.

Ground Handling Turns 2017
1.4m

Fuelling Turns 2017
3.7m

Cargo Handling
Receiving cargo, storing and preparing it for transit, loading and unloading the consignment and readying it for onward transit.

Cargo Handled (Tonnes) 2017
1.6m

Cargo Forwarding
Wholesaling air cargo capacity to freight forwarders, couriers, packaging agents and customs agents.

Executive Services
Providing premium experiences for travellers via executive lounges, VIP meet-and-greet services, and more.

Offline Services
Handling key services for airline partners which take place away from frontline operations, such as maintenance or central load planning.

How we deliver value

Safety and Security
Our exacting standards, driven by our expert safety and security teams, provide clear frameworks for safe operations across the Group.

Standardisation
We build consistent, best practice ways of working which are followed across our networks to maximise performance.

Innovation
We prioritise new thinking in order to find innovative ways of satisfying our customers and gaining competitive advantage.

Technology
We seek out and invest in the most sophisticated technical solutions to support stronger performance, improved data and greater efficiency.

Governance
We provide clear corporate governance and compliance processes and controls to drive quality, reduce risk and support effective working throughout our business.

Outputs
Delivering value for...

Employees
We offer varied careers in dynamic environments, keeping our employees engaged and delivering results.

Customers
We work in partnership with our customers to ensure our service offering is the correct one to help them meet their own business challenges.

Stakeholders
We maintain clear oversight of our operations, ensuring that our business decisions generate real value for our stakeholders.

For further information on our strategic objectives see p15.

Business Review/Menzies Aviation

AN EXCELLENT YEAR DELIVERING STRONG GROWTH

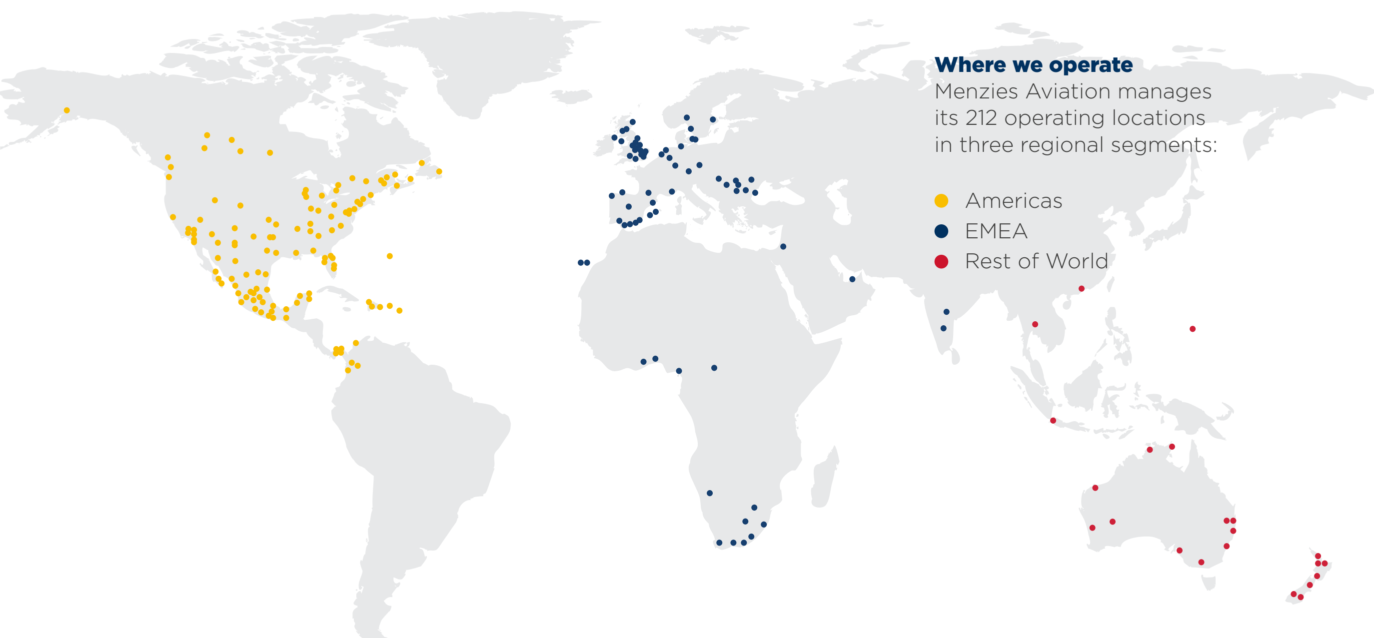
2017 has been a very busy year for Menzies Aviation with the acquisition and successful integration of ASIG. Underlying operating profit was up 72% to £58.8m, a record for the Division.

This is a result of not only the ASIG contribution but also the continuing growth of the underlying business, successful commercial and business development initiatives and our network-wide drive for margin improvement.

In acquiring ASIG we broadened our portfolio of customers and services. This, when combined with our existing portfolio and investment into systems and processes, significantly broadens our customer offering and creates many new business development opportunities. We are a major player in a structural growth market and we will look to expand into new territories as well as growing within our existing footprint.

Our commitment to our Excellence Manifesto that was launched in the business in Q2 of 2017 is making tangible progress. Centralised functions have a relentless drive for standardisation and efficiency and we are implementing this approach across our network. In 2017 we continued to invest to ensure we remain recognised as the leading player in the market, providing

Forsyth Black
President & Managing Director, Menzies Aviation



Where we operate
Menzies Aviation manages its 212 operating locations in three regional segments:

- Americas
- EMEA
- Rest of World

Peter Lett, Ramp Agent, prepares to unload baggage during a turnaround.

‘Excellence, from touchdown to takeoff’

Our Strategy
Menzies Aviation’s differentiator within the market is the quality of service it provides, and so its strategic programme is centred around a customer promise of ‘Excellence, from touchdown to takeoff’.

Known as the ‘Excellence Manifesto’, the programme sets three objectives which our business pursues in order to achieve recognition as the undisputed, premium partner in the Aviation Services industry:

1 SETTING THE HIGHEST STANDARDS FOR SAFETY, SECURITY AND PERFORMANCE

Menzies Aviation distinguishes itself from other handlers by setting a stringent benchmark for safety and security performance, and demanding exceptional levels of service delivery.

2 HAVING THE DEEPEST COMBINATION OF SERVICE PORTFOLIO AND GEOGRAPHY

Menzies Aviation strives to be the partner of choice for major airlines, and the natural choice for multi-service contracts, by offering the deepest possible portfolio of services at each station across its network.

3 HAVING THE MOST SOPHISTICATED TECHNICAL SOLUTIONS

Menzies Aviation employs software and equipment which deliver the smoothest, most appealing service experience to our customers and the most organised, efficient approach to resourcing of any business in the Aviation Services market.

Strategy in Action

ASIG: A new fuelling frontier

Following our acquisition of ASIG in February 2017, excellent progress has been made in integrating the business into our network and developing many new opportunities for growth.

An inhouse design and build of a bespoke fuel management module that integrated with our existing billing systems was undertaken and deployed on the first day of solo operations, saving an estimated £1m investment in external software and ensuring total business continuity.

Our synergy assumptions have been validated by detailed analysis of the business and we are pleased to have exceeded our original target. Further synergies are now being explored, as we seek to maximise the positive effect of combining two such substantial global infrastructures.

Feedback from our customers following the acquisition has been positive and we are actively exploring opportunities to introduce fuelling services to additional locations across the Menzies Aviation network.

ASIG has become a benchmark strategic success for Menzies Aviation: an acquisition that materially advances us in establishing the deepest possible service portfolio, in the widest possible range of locations.

Fuel volume pumped (litres) (Feb. to Dec. 2017)

34 billion

1 2 3

14:35 GMT

Piotr Tapa, Aircraft Fueller, delivers a new fuel load to a Boeing 787 Dreamliner.

Turnover

£1,302.2m

↑ 50%

Underlying Operating Profit

£58.8m

↑ 72%

airlines with a service provision that allows them to outsource their operations and therefore not invest in their own handling provisions.

Our growth plans both commercially and on a business development front progressed during the year with excellent contract gain momentum and a far greater commercial focus on our key customers. In addition to the ASIG acquisition, we also made two other acquisitions, one in Gold Coast, Australia, and the other in Budapest, Hungary, both of which were bolt-on cargo businesses. These acquisitions complement existing operations and strengthen our product offering in the respective regions.

The second half of the year brought with it some challenges outside of the Group's control. Our operations experienced three hurricanes and an earthquake within a six week period. Operations in Sint Maarten were badly hit as the island was devastated by Hurricane Irma. Operations ceased for a period but are now gradually returning although it will not be until Q4 of 2018 that we expect a normal flight schedule to be in place. Operations in Florida were also impacted for a short while before returning to normal. However, our business model is resilient and our portfolio broad and diversified; the impact of these incidents was therefore absorbed by gains elsewhere in the business.

During 2017 we continued our focus on margin improvement. This involved every station seeking to improve the returns that they make. We are almost at the end of the tail of contracts entered into some years ago that do not deliver acceptable returns. We did not retain the business of easyJet at London Gatwick, which involved some 60,000 annual turns and some £26m of annual revenue. Whilst this contract renewal was priced in line with our internal disciplines, we were, unfortunately, not successful. As this demonstrates, going forward we will always seek to match risk and reward. Importantly, there was no earnings dilution as a result of this loss. Across the ASIG portfolio we inherited a number of contracts that were sub-optimal. We have re-priced many but where we were unable to do so we either took decisive action to close the operations, as we did at JFK, New York, or we parted company amicably with our customer as was the case with Delta Air Lines at Atlanta.

The integration of ASIG is nearing a successful end. The transitional services agreement with the vendor, BBA Aviation plc, was exited on time on 31 July 2017 and the business is now fully integrated into our core systems. Synergy attainment has been a key focus and we are delighted that the initial annualised target of £10.5m for 2017 was validated and exceeded. We now expect synergies to exceed £15m annually by the end of 2018.

Volumes across the network were positive. Absolute cargo volumes were up 5%, reflecting underlying volume improvement, new contracts and acquisitions. Ground Handling turns were up 11% on an absolute basis.

Business Review/Menzies Aviation continued

This reflected prior year contract wins (particularly at London Gatwick), the addition of ASIG and was despite the loss of Alaska Airlines' hub operation in Seattle that was insourced in April 2017. During the year we carried out 3.7m into-plane fuelling turns. Core volumes in the USA and the UK were slightly behind budget but this was offset by contract wins.

Commercially we had a very strong year with 150 net contract wins. The contracts were spread across the regions with 74 in the Americas, 45 in EMEA and 31 in the Rest of the World. Significant contracts were won in Europe with IAG, in the Americas with American Airlines and Southwest Airlines, and in Australia with Cathay Pacific. We were disappointed to lose the business of Etihad at four locations in Australia and Amsterdam; this profitable business was lost despite the delivery of excellent service although we believe we were not destined to retain the contracts. Whilst this represents significant profit leakage to the Australian and Dutch businesses we are seeking to replace the tonnage with new customers or increased volume from existing customers and early signs are positive.

Renewing our existing business is vital and we were delighted to renew 154 contracts representing £119m of revenue with no yield diminution. This is testament to our commercial offering and the safe and consistent service that we deliver.

In general, market pricing is sensible with major players seeming to focus on adequate returns. However, certain markets, most recently the UK, are still susceptible to new market entrants with low pricing models that we believe are not sustainable. We will always seek to match risk and reward and will not be drawn into a price war in any region. Quality and safe and secure operations that deliver on-time performance will always be our 'unique selling proposition'. This is evidenced by the launch of our Excellence Manifesto and continuing investment into industry-leading systems and processes.

All three regions performed well during the year. In the Americas region the team performed very well given the scale of the new operations that ASIG brought, together with the challenge of expanding the underlying business. Significant opportunities now exist to cross-sell services and our commercial teams are working hard in this area. Following the acquisition we now have enhanced relationships with a number of US airlines and we hope to be able to expand our offering to them beyond Fuelling. General contract momentum was encouraging with Ground Handling contracts won at Los Angeles with Sun Country Airlines and Fuelling contracts at San Francisco with American Airlines and Southwest Airlines. Key renewals with VivaAerobus at 25 locations in Mexico and Fuelling contracts with UPS at 14 locations in the USA were also secured. Within North America, the labour market continues to be difficult for all market participants as unemployment is at record low levels and staff retention is an industry-wide issue, leading to higher levels of overtime to support the operations. To secure service at a number of locations we have incurred extra cost that we have only been able to pass onto the airlines in certain locations. This is an ongoing area of focus for the Americas Management team.

10:45 GMT Murray Finlayson and John Donaldson, Ramp Operatives at Edinburgh Airport.

EMEA, our largest geographical region, delivered a strong financial performance. Challenges materialised from the failure of Air Berlin and Monarch Airlines, as well as selective contract losses. In November, we secured a multi-airport deal with IAG across the UK, Scandinavia and the Republic of Ireland that includes the business of British Airways, Vueling, Iberia, Iberia Express and Aer Lingus. The deal included some key renewals but also the provision of new services such as de-icing in Edinburgh, Glasgow and Aberdeen as well as the opening of operations in Dublin where we will handle all of IAG's flights excluding the hub operations of Aer Lingus. This is a significant multi-airport deal with a key global customer. The cargo business in the region had a good year with strong underlying volumes particularly in Prague, London Heathrow and Amsterdam. As previously mentioned, we bolstered our cargo presence in Eastern Europe with the acquisition of Farnair in Budapest which will complement our existing Ground Handling business and allows us to offer a full service provision to airlines. Key contracts were renewed during the year including a number of contracts inherited from ASIG at London Heathrow. Within the Fuelling business the UK performed very well with excellent operating standards. We also landed our first expansion of the fuels business in Europe outside of the UK with contracts to maintain and operate fuel farms and deliver into-plane fuelling at Nice and Bordeaux with World Fuel Services. Operations commenced on 1 January 2018. Significant opportunities exist to expand the Fuelling business throughout Europe and we are excited by the prospects. Disappointingly, our proposed joint venture with Oman Air in Oman has been hit by further delays outside our control and we do not have any visibility on when operations may start.

In the Rest of the World, where our operations are more focused towards Cargo Handling, the business benefited from strong cargo volume. Key contract renewals were secured, with the exception of Etihad, and we prospered with a number of new contracts particularly with Asian carriers such as Air China, Sichuan Airlines and Vietnam Airlines.

We continue to develop our relationship with Cathay Pacific which has delivered benefits to all regions and within Oceania we added their business in Adelaide, Perth and Christchurch. Our expansion plans for South East Asia continued with the opening of an office in Malaysia and we will start handling operations in Indonesia in 2018. South East Asia remains an area of focus for Menzies Aviation as the local market has a high number of attractive airports where insourced operations remain prevalent.

Our drive to be the market leader in our industry continues. We aim to be an airline's logistics partner of choice who innovates and at all times delivers on the metrics an airline requires. To support this aim we launched our Excellence Manifesto in May which sets out clear standards and goals for the business and seeks to set us apart from our competitors. We believe that as a professional Aviation Services business with global operations our customers can benefit from our research and development activities. We are continuing with our investment into infrastructure and innovation across the whole of our business. Central dedicated teams are in place to appraise all industry developments and then, where appropriate, roll them out across our network.

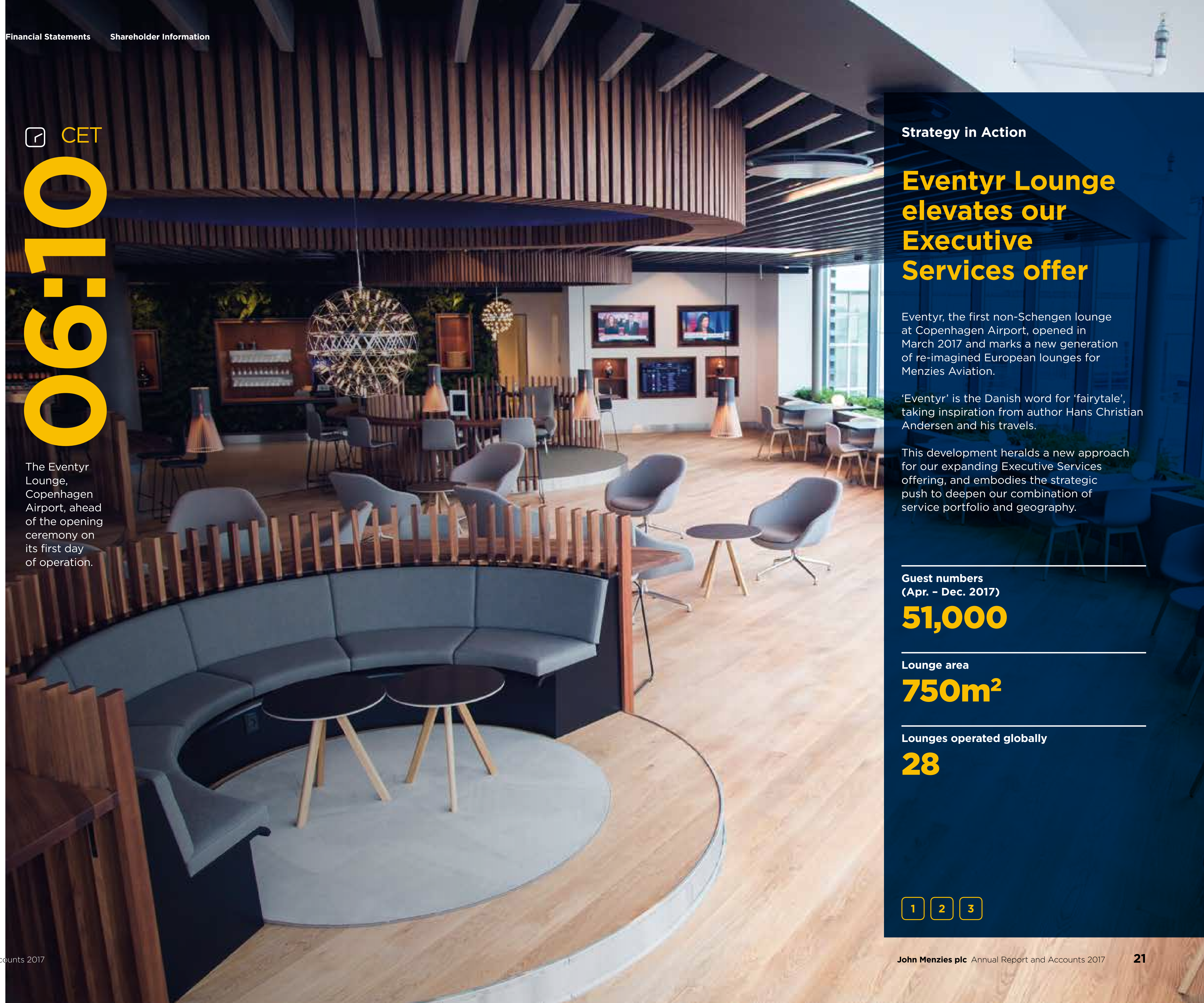

09:55 GMT Local team members, Alan Low and Colin Reid, review our operations at Edinburgh Airport alongside Csaba Barocz, VP Quality Assurance & Operations Support UK & I.

Business Review/Menzies Aviation continued

We have a relentless drive for standardisation that undoubtedly helps to win business, as our airline customers see the level of automation and innovation we are bringing to their operations, and this also drives cost out of their business as they no longer have to invest in new technologies. Our industry is professionalising and is no longer in its infancy.

Business development is key to our future success. We are a major player in the Aviation Services marketplace but we have a small share of the available market. The Aviation Services marketplace is full of opportunity and we remain committed to growing organically and through acquisition in a structural growth market. Our growth will be disciplined as risk must match reward and we will not enter markets or contracts where our minimum rate of return cannot be achieved.

Forsyth Black
President & Managing Director, Menzies Aviation
12 March 2018



CET 06:10

The Eventyr Lounge, Copenhagen Airport, ahead of the opening ceremony on its first day of operation.

Strategy in Action

Eventyr Lounge elevates our Executive Services offer

Eventyr, the first non-Schengen lounge at Copenhagen Airport, opened in March 2017 and marks a new generation of re-imagined European lounges for Menzies Aviation.

'Eventyr' is the Danish word for 'fairytale', taking inspiration from author Hans Christian Andersen and his travels.

This development heralds a new approach for our expanding Executive Services offering, and embodies the strategic push to deepen our combination of service portfolio and geography.

Guest numbers (Apr. – Dec. 2017)
51,000

Lounge area
750m²

Lounges operated globally
28

1 2 3

Business Review/Menzies Aviation continued

HOW WE MEASURE OUR AVIATION PERFORMANCE

We monitor our performance against a diverse range of financial and non-financial key performance indicators ("**KPIs**") which are used to track progress against the Group's strategic objectives.

Improvement on last year ↑
Decline against last year ↓
No change ↔

Operational delivery

Employee hours per Fuelling turn

1.7

2016: n/a
2015: n/a

Why we measure this
Into-plane fuelling is a new core service for our business and measuring the average number of employee hours utilised for each Fuelling turn provides critical information on how efficiently we perform this activity throughout our operations.

Employee hours per Ground Handling turn

30.5 ↓

2016: 29.2
2015: 27.6

Why we measure this
Although changes in the mix of wide and narrow-bodied aircraft handled by our business can impact this measure, the average number of employee hours invested to perform each Ground Handling turn remains a critical measure of how efficiently we operate.

Employee turnover

53.3% ↓

2016: 50.4%
2015: 46.4%

Why we measure this
We strive to employ the right people with the right skills. We train and develop our staff and therefore monitor employee turnover as a key determinant in the investment we make in them. Regional and seasonal variations exist as we operate in many different countries. This KPI is measured on a station-by-station basis.

Employee injuries per 100 full-time equivalents

0.15 ↔

2016: 0.15
2015: 0.18

Why we measure this
Employees are our greatest asset and deliver our industry-leading service. We operate in areas with heavy machinery and must ensure that training is appropriate to minimise injuries.

Aircraft damage per 1,000 turns

0.06 ↔

2016: 0.06
2015: 0.06

Why we measure this
Aircraft damage per 1,000 turns underpins our quality service provider reputation and ensures we maintain an industry-leading position in safety and service delivery. Insurance costs are also monitored and controlled.

Measuring growth drivers and delivering value

Turnover growth

43% ↑

2016: 7%
2015: 6%

Why we measure this
We are committed to growing our Aviation business. Revenue growth within Aviation is therefore a key metric.

08:20 GMT Nick Zannettou, Dispatcher, celebrates another on-schedule pushback.

Ground Handling turns

1,380,551 ↑

2016: 1,246,114
2015: 1,190,370

Why we measure this
Ground Handling is a growing, dynamic marketplace. We monitor aircraft turns to ensure Aviation is growing both on a like for like and absolute basis.

Ground Handling contract renewal rate

80.6% ↓

2016: 86.2%
2015: 79.1%

Why we measure this
The rate of Ground Handling contracts that we successfully tender for and renew is a key sign of how satisfied our customers are with the levels of service and price we are able to provide.

Operating margin

4.5% ↑

2016: 3.9%
2015: 3.1%

Why we measure this
Operating margin in Aviation is a standard measurement demonstrating our ability to turn our revenue into profit, encompassing our efficiency, controls and value generation.

Total shareholder return ("TSR") v FTSE SmallCap over 3 years

89.4% ↑

2016: -19.8%
2015: -74.1%

Why we measure this
TSR is the most commonly used measurement of value generated for shareholders, capturing both capital and dividend growth.

Note:
This is a Group, not Aviation-specific, KPI.

Business Review/Menzies Distribution

A SOLID PERFORMANCE

Distribution had a strong second half and the Division delivered underlying operating profit at £24.8m, £0.1m ahead of the previous year.

This represents a solid result in the light of continuing volume decline and increased wage costs. The result is particularly pleasing given that 2017 did not benefit from an uplift in sales relating to a major football tournament. The result was boosted by the closure of the final salary pension scheme which will produce a full year ongoing benefit of £1.0m.

Overall sales of newspapers and magazines continued to decline in line with our expectations. Like for like magazine volumes reduced by 9.5% with newspaper volumes declining by 9.9%. The Division continued to demonstrate its ability to drive out cost in the light of reducing volume with around £7m cost savings delivered.

During the year we completed the buy-out of Eason & Son Ltd from our joint venture operations in Northern Ireland and the Republic of Ireland. This acquisition now gives the Division all-Ireland coverage and puts us in a strong position to offer a compelling proposition to publishers while also offering joined-up logistics services to new clients, as we continue to seek new volume to put through our network. The acquisition is integrated and the projected synergies have been realised.

Plans are in place for the forthcoming round of publisher renewals. Initial negotiations have started and we are confident that our service levels and ability to offer more services within the supply chain will help us obtain a favourable outcome.

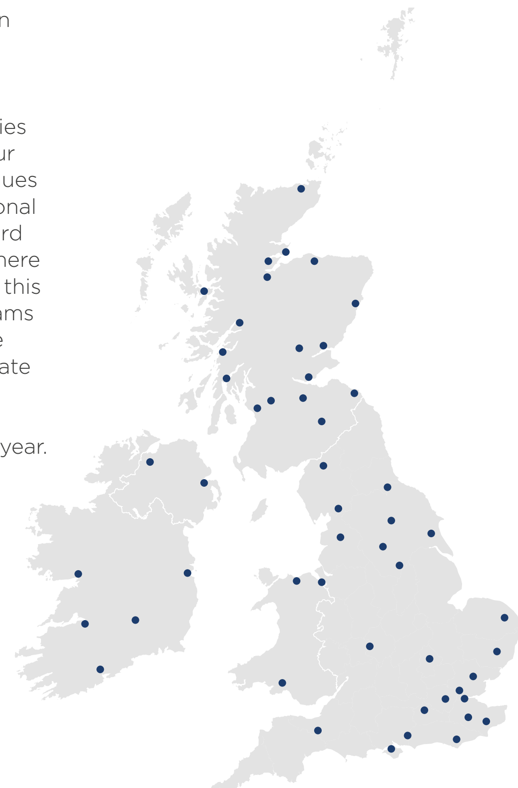
Our retail logistics business continues to develop capabilities to serve the UK high street. Our contract with WHSmith continues to deliver an excellent operational service and we are working hard to improve financial returns. There are many opportunities within this sector and our commercial teams have been enhanced to ensure we are best-placed to participate in this important marketplace. Menzies Parcels continued to build momentum through the year. Returns improved year on year through new business and organic growth although this was partially offset by higher vehicle costs. We also completed the acquisition of Gnewt Cargo, a logistics business in Central London. This business is unique in that it offers an all-electric fleet of vehicles. The business has great potential and we have completed its integration and relocated its base into our existing London branch network. We will now seek to add new customers and expand the business.

Menzies Response encountered a difficult year trading marginally behind expectations. Prior year contract losses were not fully replaced and underlying volume declined. Cost savings partly offset the decline and we are reviewing the optimal structure for the business as we move into 2018.

Menzies Media and Retail Services performed well during the year adding customers and broadening its product range, particularly in the Fore Retail Consultancy and Hand to Hand distribution businesses.

Overall, the business is in good health and we look forward to the publisher renewals with confidence. Our diversification moves are building momentum and are positioned in growing markets.

Greg Michael
Managing Director,
Menzies Distribution
12 March 2018



Where we operate
Menzies Distribution serves most of the UK and the Republic of Ireland from its 56 locations.

Turnover
£1,215.5m
↑ 0.5%

Underlying Operating Profit
£24.8m
↑ 0.4%

Maximisation of our logistics network

Menzies Distribution's strategy is a five point plan built around the maximisation of its logistics network and the flexing of that network to serve new partners.

NATIONAL PRESENCE 1
Expand the network to complete our coverage of the UK and the Republic of Ireland.

MULTIPLE VALUE PROPOSITIONS 2
Build a business with multiple profitable activities that is resilient to changes in individual markets.

COMPETITIVE ADVANTAGE 3
Engage with growing markets where our capabilities give us a competitive advantage, allowing us to offer a best-in-class service.

FOCUS ON HIGH STREET B2B 4
Pursue increased engagement with the high street B2B sector, in particular where our existing strengths and expertise can be leveraged to greatest effect.

OPTIMISE EXISTING RESOURCES 5
Use spare capacity within our network to drive growth, reducing operational risks and lowering investment requirements.

Business Review/Menzies Distribution continued

Strategy in Action

Gnewt marks leap into electric vehicle deliveries

In August 2017 Menzies Distribution acquired Gnewt Cargo, London's only all-electric delivery business.

The deal represents a major step into sustainable delivery and an opportunity to grow our neutral consolidation offer by expanding existing relationships with national parcel carriers.

Gnewt provides a platform to introduce all-electric distribution to other UK city centres, a compelling service proposition for both the Parcel Logistics and Print Media markets.

Electric vehicles in fleet
108

Gnewt employees
68

Parcels delivered (Sept. – Dec. 2017)
953,000

1 2 3 4 5

GMT
07:50

Nadia Grocott, Parcels Operative, begins her round in Central London.

HOW WE MEASURE OUR DISTRIBUTION PERFORMANCE

The performance of Menzies Distribution is tracked against KPIs which focus on sector requirements and the well-being of our employees.

Improvement on last year ↑
Decline against last year ↓

Operational delivery

Parcel volume growth

39%
2016: 48%
2015: n/a ↑

Why we measure this
Parcel delivery businesses are scale-driven operations: the movement of parcel volumes handled by our network is a key indicator of its utilisation and of the extent to which we are successfully diversifying into the Parcel Logistics sector.

Employee injuries per 100 full-time equivalents

0.68
2016: 0.91
2015: 0.86 ↑

Why we measure this
Employees are our greatest asset and deliver our industry-leading service. We operate in areas with heavy machinery and must ensure that training is appropriate to minimise injuries.

On-time performance

95.7%
2016: 95.4%
2015: 96.5% ↑

Why we measure this
This measurement allows us to measure retail delivery times and is a KPI within publisher contracts. It is also essential that we ensure product is with retailers on time in order that sales are not missed.

Measuring growth drivers and delivering value

Employee turnover

32.4%
2016: 38.7%
2015: 30.4% ↑

Why we measure this
We strive to employ the right people with the right skills. We train and develop our staff and therefore monitor employee turnover as a key determinant in the investment we make in them.

Chief Financial Officer's Review

RECORD UNDERLYING OPERATING PROFIT DELIVERED

Group performance in 2017 improved significantly with underlying operating profit up 41% (34% in constant currency) and underlying profit before tax up 35% (27% in constant currency).

Giles Wilson
Chief Financial Officer

Revenue
£2,517.7m
↑ 21%

Underlying Profit Before Tax
£67.1m
↑ 35%

Operating Cash Flow
£109.9m
↑ 47%

THE GROUP'S TURNOVER WAS £2,517.7M (2016: £2,077.6M). UNDERLYING PROFIT BEFORE TAX GREW TO £67.1M (2016: £49.7M).

Read our Business Reviews on p14 and p24

Current Trading and Outlook

2018 has started well. Menzies Aviation is trading ahead of last year, even after accounting for the impact of the upside of the extra month of trading from the ASIG acquisition and year on year foreign exchange headwinds. Underlying volumes are strong, synergy benefits are being realised and contract win momentum continues. Across the network, our commercial and business development teams are busy pursuing many opportunities to grow the business both organically and through acquisition, whilst also pursuing the many exciting opportunities available within the into-plane fuelling and fuel farm management markets. Trading at Menzies Distribution is in line with our expectations and the sale process for the Division continues to plan.

The Board is focused on creating a global pure play Aviation Services business and is excited by the opportunities that presents. We are a very well-placed, well-funded Group operating in a structural growth market and we look to the future with confidence.

Group Performance Review

Group performance in 2017 improved significantly with underlying operating profit up 41% (34% in constant currency) and underlying profit before tax up 35% (27% in constant currency). The improvement was the result of a strong performance at Menzies Aviation, particularly as a result of the completion of the ASIG acquisition in February. The Group's profit before tax was £26.7m reflecting the significant level of investment in the ASIG acquisition and integration, the work to demerge and sell the Menzies Distribution business and the de-risking and restructuring of the Company's defined benefit pension scheme.

Menzies Aviation continues to go from strength to strength. The recently acquired ASIG business is integrating well, synergies are tracking ahead of expectations and we are developing many new opportunities for growth. Contract win momentum continued with constant currency turnover excluding the impact of ASIG up 11% year on year, while we continue to benefit from our investments into infrastructure and innovation. Menzies Distribution remains a strong business, performing well despite cost and volume pressures. Turnover of the Aviation segment exceeded that of Distribution for the first time in 2017.

The Group's turnover was £2,517.7m (2016: £2,077.6m). Underlying profit before tax grew to £67.1m (2016: £49.7m) following a strong performance in Menzies Aviation and favourable foreign exchange translation. The Group's profit before tax was £26.7m (2016: £19.8m). Group underlying earnings per share rose to 57.2p (2016: 47.8p).

Financial Overview

Exceptional and other items in operating profit

Included in the Group's exceptional items in operating profit were transaction related costs of £21.7m, primarily relating to the acquisition and integration of ASIG and the work to demerge and sell the Menzies Distribution business, and £5.4m of costs and charges relating to de-risking the defined benefit pension scheme. This primarily closed the pension scheme to future accrual and subsequently sectionalised it ahead of any transaction relating to the disposal of the Distribution business.

Finance costs

The Group's underlying net finance charge in the period was £10.8m (2016: £5.5m). The increase reflects higher levels of debt to fund the acquisition of ASIG, higher interest rates on US dollar borrowings and fixing of the interest rates payable on 50% of the US$250m term loan.

Taxation

As a multinational business the Group is liable for taxation in multiple jurisdictions around the world. The Group's underlying tax charge for the period was £20.0m (2016: £15.9m), representing an effective underlying tax rate of 30% (2016: 32%). As already announced, the recent US tax changes have meant a one-off non-cash impact to our 2017 effective tax rate of approximately 3%, which relates to the revaluation of the deferred tax assets relating to US tax losses bought forward. We are still analysing the final legislation and impact to the Group with particular reference to the overseas subsidiaries toll charges; we do not expect these to have a material cash impact to the Group.

Earnings per share

The Group's underlying earnings per share was 57.2p (2016: 47.8p) as a result of the increase in profits. The corresponding basic earnings per share was 15.1p (2016: 11.8p).

Chief Financial Officer's Review continued

Defined benefit pension scheme
As at 31 December 2017, the Group's defined benefit pension scheme showed a deficit of £49.5m (2016: £71.0m) with the effect of the impacts of favourable demographic assumptions, higher returns on invested assets and continuing additional cash contributions, partly offset by a decrease in the discount rate applied to the scheme liabilities. As previously reported, the Trustee and the Company have agreed a long-term funding plan that resulted in additional annual contributions of £10.7m in the 2016/2017 pension year rising with the higher of inflation and the percentage change in annual shareholder dividends up to 2025, the latter only when exceeding 2013's level. The next triennial valuation is set for 31 March 2018 and new deficit contributions will be set to reflect the sectioned pension scheme's different funding profiles.

The Group and the Trustee are continually looking to de-risk the scheme. On 31 March 2017 the Company and Trustee agreed to close the defined benefit pension scheme to future accrual and on 31 May 2017 to sectionalise the scheme. On 31 May 2017 the Company and Trustee further agreed to split the defined benefit pension scheme into two sections, one supported by the covenant of the Menzies Distribution Division and the remainder by the Company. The Group will continue to guarantee the funding of the Menzies Distribution section for as long as the business remains part of the Group. On 30 June 2017, 17.2% of the scheme's assets and liabilities were transferred to the new Menzies Distribution section, and this section has been structured in a way that the funding is set up to achieve a buy-in funding level within five to six years. The related exceptional charge of £5.4m comprises the accounting impact of revaluing past benefits for those impacted and the costs and fees expensed to de-risk the scheme.

	2017 £m	2016 £m
Underlying operating profit	**77.9**	55.2
Depreciation	**27.8**	22.3
Dividends from associates and joint ventures	**6.3**	6.6
Working capital	**1.9**	(5.8)
Net pension movement	**1.0**	0.1
Non-cash items	**(5.0)**	(3.4)
Operating cash flow	**109.9**	75.0
Net capital expenditure	**(31.8)**	(24.7)
Net interest paid	**(11.9)**	(3.8)
Regular tax paid	**(13.3)**	(10.3)
Non-recurring tax paid	**(3.7)**	(5.1)
Free cash flow	**49.2**	31.1
Equity dividends paid	**(15.9)**	(10.6)
Additional pension payment	**(11.3)**	(10.9)
Net acquisitions	**(158.4)**	(5.2)
Cash spend on exceptional items	**(22.7)**	(14.2)
Shares and rights issue	**1.5**	72.9
Total movement	**(157.6)**	63.1
Opening net debt	**(70.5)**	(123.2)
Currency translation	**13.7**	(10.4)
Closing net debt	**(214.4)**	(70.5)

Cash flow and investments
Investments by the Group in the period were £158.4m, primarily for the acquisition of ASIG. Also included were the investments to acquire Gold Coast Air Terminal Services and Farnair Handling in Menzies Aviation and Gnewt Cargo and the partner's share of the Irish joint ventures in Menzies Distribution.

Operating cash flow was £109.9m (2016: £75.0m). Working capital management remains a key focus for the business. Free cash flow was £49.2m (2016: £31.1m). Net capital expenditure totalled £31.8m (2016: £24.7m).

Debt and facilities
The Group continues to operate on a strong financial footing with a robust balance sheet built from strong operating cash flows across both Divisions. At the year end, net debt was £214.4m (2016: £70.5m) with the increase mostly reflecting the impact of the acquisition of ASIG.

The Group's covenanted debt to EBITDA ratio was 1.9 times at 31 December 2017 (31 December 2016: 0.8 times) and interest cover was 8.3 times (2016: 13.0 times), which were both well within covenanted levels and ahead of the targeted below 2 times debt to EBITDA by end of 2018. The Group had £341.9m of committed facilities at the year end of which £56.5m were undrawn.

As previously reported, the Group entered into a syndicated debt facility, comprising a US$250m term loan and a £150m revolving credit facility in September 2016, which expires in June 2021. The new facility was drawn down to fund the acquisition of ASIG on 1 February 2017 and repay existing facilities with the exception of £10.0m remaining on a term loan with RBS. In February 2017 the Company entered into interest rate swaps to fix 50% of the US$250m term loan facility for the duration of the loan.

Impact of foreign currency movements
The majority of Menzies Aviation's stations are located outside the UK and operate in currencies other than Sterling. The Group hedges the exposure of foreign currency denominated assets to manage the impact of currency movements in the Group's net assets using forward contracts. The translation of profits from overseas trading entities is not hedged and as a result the movement of exchange rates directly affects the Group's reported results. In 2017 the Group benefited from favourable movements against the prior year, particularly with respect to Sterling against the US and Australian dollars. The year on year exchange benefit was £4.1m.

Going Concern
The Group's business activities are set out on pages 8 to 11 of this Annual Report and Accounts 2017 and the principal risks impacting these activities are set out on pages 34 to 37. The Group's financial position and cash flows are set out on pages 104 and 107 along with an analysis of its borrowings in Note 17 on page 139. As regards going concern, the Directors have considered market and gearing risks. Sensitivities to capital and liquidity risks are set out in Note 17 on pages 136 to 142 of this Annual Report and Accounts 2017.

The Group updates trading forecasts covering a forward 12-month period on a regular basis and cash flow forecasts show that the Group is capable of operating within its committed banking facilities and related financial covenants for the foreseeable future.

The Directors, who have reviewed the budgets, forecasts and sensitivities for the coming year, consider that the Group has adequate financial resources to enable it to continue in operational existence for the foreseeable future. Accordingly, the Directors believe that it is appropriate to continue to adopt the going concern basis for preparing the financial statements.

Viability Statement
In accordance with provision C.2.2 of the UK Corporate Governance Code (April 2016), the Directors have assessed the prospects of the Group over a period of three years. The Directors believe this period to be appropriate because the average length of the Group's customer contracts is approximately three years and the Group's planning cycle covers a three year period.

As detailed on pages 32 to 37 of this Annual Report and Accounts 2017, the Board monitors and assesses the risks and uncertainties faced by the Group. This includes a consideration of the principal risks and material uncertainties facing the Group, including those that would threaten its business model, future performance or solvency. During 2017 this process included a detailed strategic review of the Aviation and Distribution Divisions and a detailed three year planning process.

For the purpose of assessing the Group's viability, the Directors focused their attention on the principal risks that are critical to the Group's success. These are risks concerned with changing consumer behaviour, increasing employee costs, contract renewals, contract tendering, global acts of terrorism, security breaches and adherence to standard operating procedures. Each risk and its impact and mitigation is set out on pages 34 to 37 of this Annual Report and Accounts 2017.

Other than in the event of a catastrophic large aircraft incident over a populated area, none of the plausible events in isolation or in combination would prevent the Group from continuing to operate and meet its liabilities as they fall due over the period of assessment of three years. In the case of such a catastrophic aircraft incident, the Group would seek to manage the timeframe in which any liabilities arose in order to continue in operation.

As a result, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment of three years.

Dividend
In line with the Group's plan to follow a progressive policy to increase dividends over time, the Board has proposed a final dividend of 14.5p per ordinary share which is payable on 2 July 2018 to all shareholders on the Company's Register of Members at 25 May 2018. The total paid and proposed dividend for the year is 20.5p per ordinary share (2016: 18.5p per ordinary share), up 11% from last year.

Giles Wilson
Chief Financial Officer
12 March 2018

Risk Management

HOW WE MANAGE RISK

Risk Framework
As can be seen from the diagram on the opposite page, the Group has implemented a risk management framework that incorporates a traditional 'bottom up' approach counter-balanced by 'top down' involvement which both supports and challenges our internal risk process. Establishing and maintaining a robust and enduring risk culture within the Group was a key agenda item throughout 2017 and we continue to promote and raise awareness of our risk initiatives throughout our global operations, a commitment underlined by our dedicated central Risk team.

We recognise that a successful risk management programme serves to protect our assets, promote the interests of our stakeholders and is fundamental to the welfare of our People and our Risk function plays a pivotal role in the delivery of this programme. Our risk framework is underpinned by our Group-wide '8 Pillar' Audit Programme which drives our Group's Risk Register and allows us to undertake standardised operational audits whilst assessing internal (e.g. policies, procedures and processes) and external (e.g. legislative and regulatory) compliance.

Whilst the Company's Board of Directors has overall responsibility for the Group's systems of internal controls and risk management, the Audit Committee has delegated responsibility from the Board to review the effectiveness of these systems. The Audit Committee nonetheless provides regular and comprehensive updates to the Board, reflecting the importance which the Board places upon identifying and actively managing the financial and non-financial risks with appropriate regard to the Group's strategic objectives.

Risk Register
These financial and non-financial risks are captured within the Risk Register which is subject to regular review by both the Board and the Executive Committee and currently comprises 14 risk categories and 192 individual risks.

We continue to evolve our risk process and during 2017 identified risk owners across the business who were asked to consider the risks which fell under their ownership; the central Risk team then reviewed all audit scores against developments within the organisation to create new risks that were scored accordingly. The scores were subsequently amalgamated and sense-checked to ensure the principal risks generated properly reflected the nature of our business and the results of the controls assurance process. Additionally, to further enhance and promote risk methodologies as an essential component of business strategy, a Risk Management Policy was developed during the year and incorporated into the Risk Register.

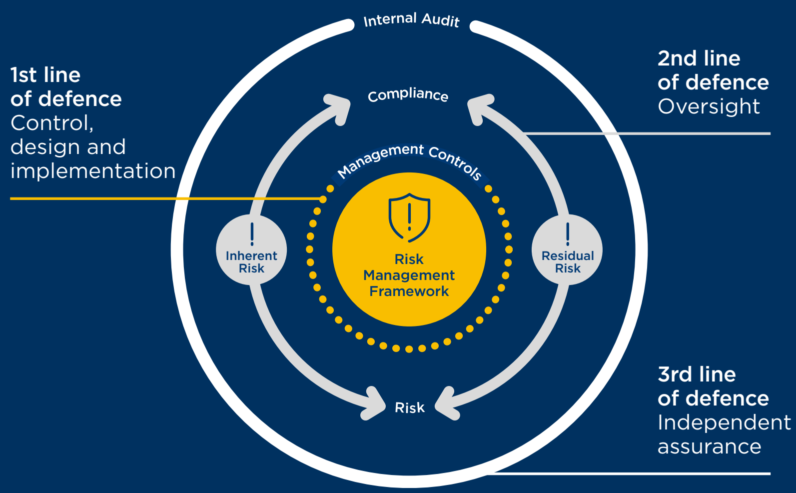
The Top 10 risks and uncertainties which the Group faced at the end of 2017, and continues to face, have been identified through the internal risk assessment process. These are detailed on pages 34 to 37 of this Annual Report and Accounts 2017 and derive from the Group's Risk Register. The most notable change from last year is the introduction of the risk relating to the Company's defined benefit pension scheme which entered the Top 10 following detailed consideration of a point raised by the Financial Reporting Council (further details of which can be found on page 63 of this Annual Report and Accounts 2017). The key risks are subject to rigorous deliberation by the Board in its assessment of the Company's ability to continue as a going concern and also when evaluating the viability of the Company. The Going Concern and Viability Statements can be found on page 31 of this Annual Report and Accounts 2017.

Internal Control
A number of systems of control are in place within the Group to enhance the effectiveness of our risk management programme and ensure that risks are timeously and adequately identified, prioritised, evaluated and managed. For example and as disclosed in last year's Annual Report and Accounts, each Operating Division has had a Senior Management Committee in place since January 2017 which reports directly into the Executive Committee. The standard agenda of these Committees includes the review of audit, compliance, human resources and safety and security issues and risks. Each Division and, where appropriate, Group Finance, also undertake annual certification on internal control compliance.

Further, a specified function of the Executive Committee is to review each Operating Division's risk management programmes and systems of internal control and ensure that all required audit outcomes, both internal and external, are properly actioned. Additionally, a formal internal assessment of the Group's risks and internal controls is undertaken on a six-monthly basis which is supported by the Group's controls assurance provider. From a Finance perspective, the Tax Committee convenes on a quarterly basis to ensure the potential impact of any global tax changes has been properly assessed whilst the Treasury Review Committee meets monthly to review the adequacy of the Group's facilities against potential utilisation and commitments and to monitor and manage the Group's exposure to interest rate and currency movements.

The effectiveness of a strong risk management programme and culture is critical to ensuring the ongoing success of the Group, enhancing the quality of decision-making and driving standardisation and transparency. We will continue to evolve our risk process during 2018 and, following upon the acquisition of ASIG and the associated expansion of our global operations, intend to move to a more automated risk solution in 2018. Our risk profile will remain subject to robust review throughout the year as we focus on fully embedding our risk appetite and framework throughout our operations.

Risk Management Framework



Approaches to Risk

Risk Management continued

Principal Risks and Uncertainties

The Board has undertaken a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The table below lists those risks and uncertainties that the Board considers most significant and details the key mechanisms which we employ to mitigate them.

Increase ↑
Decrease ↓
No change ↔

Risk Category	Risk	Risk Description	Impact	Key Control Mechanism	Change from 2016
Business Management & Change Management	Price Optimisation in Contract Renewals/Contract Tendering/ Competitive Pressure	Failure to negotiate existing contracts at acceptable rates or to successfully win new contracts on terms that achieve the Group's internal rate of return and risk profile threshold criteria; together with the risk that a competitor enters an airport/area leading to a loss of key staff and/or contracts.	Inability to renegotiate and retain key material contracts at rates that provide acceptable returns could significantly impact Group earnings.	Our Commercial teams plan ahead to ensure readiness for all upcoming contract renewals and new business tenders. The Group operates a Menzies Commercial Appraisal Committee that meets monthly to review all pricing and contractual terms before bids are submitted for new/repeat business. In addition, we constantly strive to innovate within our operations to ensure our operational model operates with an optimum cost base.	↑
	Integration of an Acquisition	The risks associated with the integration of a large-scale acquisition: people, systems and equipment require to be well-managed and failure to do so could impact the services provided to customers, result in a failure to achieve targeted synergies and ultimately decrease staff morale.	Failure to successfully integrate a scale acquisition could lead to a reduction in anticipated returns, synergy benefits could be missed and reputational damage to the Group could arise.	Detailed integration plans are put in place for every acquisition, irrespective of size. Milestones are set and independently checked. Dedicated resources are required to ensure that sufficient time is given to each element of integration and the achievement of all targets.	↔
External Shock	Global Act of Terrorism	The risk that a global terrorism event could materially affect the airline industry and the number of aircraft flights significantly reduced for a period of time.	A global act of terrorism could lead to a significant loss in revenue as flights would be grounded and air cargo would not be transported.	Ground Handling cost base is flexible and could be flexed to assist in mitigating the expected financial impact.	↔
	Risk of 'Brexit' to UK & European Operations	The risk that business becomes more difficult within the European Union when the United Kingdom exits.	The outcome of Brexit negotiations may affect/restrict the free movement of persons resulting in staff recruitment issues (in particular, during peak seasons) and impact the operations of our customers.	This will be a key focus of our HR teams under the stewardship of our new Group EVP People and developments in this area will be kept under constant review to ensure we are positioned to react as and when appropriate. Our Commercial teams also have a strategy in place which is aimed at achieving optimum combination of service portfolio and geography to offset any potential UK-European flight reduction.	↔
Finance	Menzies Pension Fund	The risk associated with the Group's historic defined benefit pension scheme in the United Kingdom, closed to new members in 2003 and to future accrual in 2017, and which is currently in deficit. The Group is required to make cash contributions to address this deficit and there is a risk that the deficit increases, due to poor asset returns or because of an increase in liabilities arising from current financial assumptions differing from experience.	An increase in the scheme deficit could result in a requirement to increase the current cash contributions which could in turn reduce the amount that the Group can invest in growth opportunities in its business operations.	The decision to close the Fund to future accrual was a key determinant in reducing the risk associated with the scheme as changes in the scheme liabilities now only result from a change in liabilities relating to past service, not a further increase as a result of current and future service. The ongoing controls that the Group adopts to manage this risk include working closely with the Pension Trustee and its advisers to ensure that investment performance and liability experience are reviewed regularly; diversifying pension assets so that the impact decreases in the value of certain asset classes is minimised; and ensuring that the scheme has the optimum investment policy by matching asset profiles with associated liabilities taking into account the future likely mortality of members, investment returns and inflation.	↑
Human Resources	Increased Labour Costs & Staff Turnover	Our business relies on our People. Wage inflation is prominent in many of the territories in which we operate and there are a number of initiatives within, for example, the UK and other countries to improve wages which in turn could impact our operations. High staff turnover leads to low experience and skill levels to cover required shifts. This could leave our operations without sufficient skilled employees to deliver our business objectives.	An inability to pass on statutory increases to our customers could materially impact profitability e.g. the UK's National Living Wage. Consistently high staff turnover could result in both a reduction in service levels and a loss of customer contracts. Additionally, a high number of inexperienced staff could lead to an increase in safety-related incidents.	Contracts with customers increasingly contain clauses that specify statutory wage increases. We also continue to evolve our operating model to optimise our cost base. Additionally, resource management tools are being rolled-out to ensure roster outputs meet applicable regulations and customer demands whilst also providing better productivity. The Board has a particular focus on staff turnover and regularly monitors the position. New initiatives aimed at reducing turnover are in place and in the Americas region, for example, a dedicated function exists to address this issue. Investment in onboarding HR systems, which vet employees to ensure suitability for the role, exist and are gaining traction. At Group level, the Human Resources Committee will give detailed consideration to staff turnover and determine what can be done to make an impact in this area.	↔

Risk Management continued

Principal Risks and Uncertainties

Increase ↑

Decrease ↓

No change ↔

Risk Category	Risk	Risk Description	Impact	Key Control Mechanism	Change from 2016
Human Resources	Succession Planning	As the Group expands it is important that sufficiently trained and skilled staff are available to fill positions created by our expanding businesses both at supervisory and managerial levels. We must ensure sufficient developmental programmes are in place to develop our people. We rely on having the right people with the right skills in the right place at the right time. Without effective succession plans the Group risks not having sufficient individuals to fill the key roles which are required to ensure our operations run smoothly.	The operational and leadership impact of failing to have sufficient people, or a stream of trained, qualified individuals identified as potential future business leaders, could result in increased costs, lack of efficiency and a failure to deliver on any, or all, of the key strategic objectives of the Group. Our brand loyalty could be impacted and a competitive disadvantage could arise if we were unable to retain internal candidates to occupy key roles as they become available or we lose individuals with the requisite indepth knowledge and expertise due to a lack of career opportunities.	Succession plans across the Group exist and the Board annually reviews such plans for Senior Management and Executive Directors. In 2017 a new Board committee was constituted, the Human Resources Committee, tasked at considering all aspects of our HR offering. Structured development programmes are in place aimed at identifying and developing key employees while salaries and benefits are benchmarked to ensure they remain competitive with market standards.	↔
IT	IT Systems' Robustness	Sophisticated IT systems are at the core of all our businesses, driving efficiency. System downtime could lead to severe operational issues and delays to customers. External vulnerability to attack is a growing worldwide issue which could result in erroneous information entering our processing systems or commercial data being accessed without permission. A central IT team manages the overall governance and integrity of the systems throughout the Group.	A serious IT systems outage for a limited period of time could have an operational, financial and/or reputational impact.	Heightened security has been provided with the outsourcing of our physical hardware data centres, and associated support, to a third party outsourced specialist. New plans to mitigate cyber-attacks have been put in place through our Project Watertight initiative. Disaster recovery plans exist and are reviewed periodically.	↔
Safety	Adherence to Standard Operating Procedures	Within Menzies Aviation the adherence to internal standard operating procedures and airline regulations is vital to ensure the business delivers its strategic objectives and operates safely and securely at all times.	Failure to adhere to standard operating procedures can endanger employees and lead to poor operational performance; it could result in a rise in aircraft damage and personal injury incidents. In addition, the reputation of the Group would suffer. A poor safety record could produce increased operating costs, including punitive and compensatory charges and increased insurance rates, and ultimately lead to the loss of customer contracts.	Independent audit programmes exist to ensure applicable operating procedures are being adhered to and all audit scores are reviewed by the senior leadership team. A dedicated Operational Excellence function helps drive standardisation across the network whilst significant investment in infrastructure and systems has aided the drive for compliance and standardisation. Tailored training packages exist and all employees undertake full and rigorous training. Safety and security are the number one priority at every station and are never compromised. Industry-leading safety systems are utilised. Our internal M.O.R.S.E. system is at the heart of all our operations.	↔
Security	Security Breach	The risk that a serious security breach or incident occurs that is directly attributable to the actions of one of our employees or the failure of related processes or training.	The impact of a serious security-related incident could affect the Group's reputation, operational performance and, ultimately, financial performance.	The Group works closely with airport authorities. Rigorous checking and vetting of all employees takes place. Central support is provided to all stations via the Group Security team, utilising the M.O.R.S.E. intranet-based safety and security monitoring system which provides consistent and regular reporting. A dedicated Group Security Officer continues to raise standards across the Group and reinforce awareness.	↔

Responsible Business

WITH 185 YEARS OF HISTORY BEHIND US AND A STRONG FUTURE IN OUR SIGHTS, JOHN MENZIES PLC HAS A RESPONSIBILITY TO SET AND MAINTAIN THE HIGHEST STANDARDS ACROSS ITS GLOBAL BUSINESS

Our framework of policies and guidelines must ensure that we foster a culture in which integrity and responsible and sound ethical values are at the core of all that we do.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) has certified that John Menzies plc is a constituent company in the FTSE4Good Index Series, having been independently assessed in accordance with the FTSE4Good criteria.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognised standards. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE4Good

Our Vision and Culture

We believe that a unifying vision of the Group's ambitions is a powerful driver in our efforts to deliver sustainable returns to our stakeholders. If such a vision is properly articulated, it can inspire our People to push themselves further; it can align the efforts of our teams worldwide in achieving our corporate goals; and it can encourage the positive, productive behaviours which support the delivery of these goals.

In Menzies Aviation the vision is that we will become the undisputed, premium provider of Aviation Services. We plan to actualise this through satisfying the key strategic objectives set out in our Excellence Manifesto (further details of which can be found on page 15 of this Annual Report and Accounts 2017). In order to raise the profile of this vision, we incorporate it into regular business-wide communications and embed it through the staging of flagship events for our leadership teams.

"WE WANT TO SET GOALS FOR OUR BUSINESS IN THE SAME AMBITIOUS WAY MARK BEAUMONT SELECTS HIS CHALLENGES: NOT BY INCREMENTALLY OUTPACING OUR COMPETITORS, BUT BY PUSHING THE LIMITS OF WHAT IS POSSIBLE."

Forsyth Black,
President & Managing Director,
Menzies Aviation

Responsible Business in Action

AROUND THE WORLD IN 78 DAYS

Mark Beaumont, endurance athlete and author, joined Menzies Aviation at its Global Integration Conference in Las Vegas and addressed the delegates on the subject of 'success on your own terms': the principle of setting a goal based on pushing beyond the limits of what is commonly considered achievable and not on incremental improvement of previous performance. Shortly after the event Beaumont demonstrated this principle in action by successfully circumnavigating the globe on a bicycle in under 80 days and breaking two Guinness World Records in the process. Menzies Aviation supported his journey by streamlining the check-in, boarding and disembarkation process at airports around the world, helping to save vital hours which contributed to the setting of a world record time: 78 days, 14 hours and 40 minutes.

Our Vision and Culture Highlights

Following the acquisition of ASIG, Menzies Aviation held a Global Integration Conference in May 2017. The two day event took place in Las Vegas and was the first time in 15 years that its global leadership team had convened. The principles of the Excellence Manifesto were launched to delegates with a programme of speakers delivering on a range of pertinent topics; new relationships were forged and shared capabilities explored; and the opportunities to grow Menzies Aviation's service offerings and operations discussed through a day of workshop activity.

In October 2017 Menzies Distribution hosted its first Management Summit which explored the theme of "Our Business, Our Growth, Our Future"; this had a key objective of enhancing understanding of Distribution as a unified Division. Leaders from across the Division gathered to discuss their sectors of business, including current challenges, opportunities and goals, and consider the opportunities they could present to their current markets, possible entry into new markets and diversification into new areas of growth.

Responsible Business continued

Our People

Development, succession and retention

As our business continues to expand, staff retention and talent recruitment become increasingly important and ensuring we have the right people in place to maximise the present-day success of our operations, and also provide a robust plan for succession, is a key area of focus for the Group.

We recognise that our People are the driving force behind our operational achievements and the delivery of sustainable value to our shareholders and understand the importance of maintaining and attracting proficient, driven and talented individuals who reflect the diversity of the many environments in which we operate. Giving our People the opportunity to learn new skills, developing them through the assumption of additional responsibilities and progression to managerial positions is critical to ensuring we have the best workforce and remain competitive in our markets. Our commitment to and investment in our People can be evidenced through, for example, Menzies Distribution's 2017 ASPIRE leadership programme. 12 high potential, aspiring delegates from across the business were selected to participate in this annual programme which runs over a 10 month period and comprises six two day workshops covering topics such as coaching and leadership, developing self and customer engagement. The programme presents the delegates with a significant developmental opportunity and allows them to form invaluable relationships within the internal business network.

It is essential that our People reflect the Menzies corporate culture, possessing a commitment to set the highest standards, an enthusiasm for challenge and a drive to deliver results. For this reason, our preference is to build capability and promote from within Group talent pools, complementing this with selective external recruitment as and when required. We regularly review and monitor the pay and benefits offered to our employees, benchmarking against competitors where appropriate and ensuring compliance with the mandatory national living wage requirements and Working Time Regulations.

To facilitate the development of an internal talent pipeline, we offer a broad range of development opportunities to our People, from on-the-job learning through to online and classroom-based courses, all of which are designed to prepare them for the daily delivery of industry-leading standards in every field of our activities. Significantly, Menzies Aviation launched a new 18 month graduate development programme in July 2017, with selected graduates completing a series of placements in operational and central functions and attending workshops to develop core skills and leadership qualities. Further, with the introduction of the UK Apprenticeship Levy in April 2017 Menzies Distribution reviewed the upskilling of those individuals with a desire to complete a work-based qualification and now has over 50 apprentices currently working on their portfolios in areas such as Customer Service, Business Administration and Management with the next step to invest in driver apprenticeships in 2018.

Responsible Business in Action

CCTC LONDON: BIKEWORKS

12 managers from across the Menzies Aviation network visited Bikeworks in September 2017 as part of its Cross Cultural Team Challenge. Bikeworks is a not-for-profit social enterprise, based in Hackney, East London, which runs a variety of community cycling programmes.

The Menzies Aviation team completed an intense cycling challenge whilst raising funds for the UK's first mobile All-Ability Cycling Club, a venture aimed at providing cycling opportunities for people from marginalised communities and individuals with physical and learning disabilities, all of which may otherwise be a barrier to participation.

Sponsorship contributed to a new van to transport the All-Ability unit, together with equipment and running costs for the first year of operation.

Our global team now exceeds 36,000 employees and continues to grow as our operations expand. Our continued commitment to this key asset is underlined by two significant events in 2017: the appointment of a Group EVP People, Claire Hall, and the constitution of a new Board committee, the Human Resources Committee, tasked with overseeing all HR matters and addressing specific employee issues.

Diversity and inclusion

We actively promote tolerance and diversity at every level of our business and recognise the value of a diverse workforce. We aim to create a working environment in which inclusion and acceptance are the norm and the additional needs of our People are catered for wherever possible.

Diversity is currently a key focus in our business and is referenced within both our People-related policies and Employee Handbook. In 2018 we will publish a full Diversity Policy that builds upon our existing Diversity Statement which seeks to actively promote inclusion and acceptable treatment of our People on the grounds of, for example, age, disability, race, religion or belief, gender and sexual orientation. This Policy will encompass all employees and extend across all our networks; it will be published and maintained through our new Group intranet and shared with all new employees through the candidate onboarding process and induction training and with existing employees through their refresher training.

Full and fair consideration is given to all applications for employment and Group policies dictate that during the recruitment process all individuals are treated equitably, including those with disabilities. Where employees become disabled we seek to ensure their employment can continue or alternative employment arranged whenever reasonable and practicable to do so. All employees are given the same opportunities within the Group in terms of training, career development and promotion; our policies and procedures for recruitment, training, promotion and reward promote equality of opportunity, regardless of background and personal circumstances.

In line with our desire to ensure a diverse and inclusive workforce, we are also committed to the ideal of equal pay for equal work and thus welcome the introduction of The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 in the UK. We have undertaken the necessary analysis to understand the position in respect of male and female pay within the requisite Menzies entities and will publish our results as prescribed. We will monitor and investigate any gender pay gap issues identified now or in the future as a result of such analysis and seek to suitably address any gaps which may arise.

Responsible Business in Action

SPIRIT OF RECOGNITION

In June 2017 Menzies Distribution launched a SPIRIT (Service People Inspiration Recognition Innovation Teamwork) Awards recognition programme which provides employees with the opportunity to nominate and gain recognition and reward for their colleagues who live up to our values and go 'One Step Beyond' or 'Above and Beyond'. The programme has been a great success with over 200 awards issued to-date.

Gender Diversity (as at 31 December 2017)

Employees
25,832 male
10,373 female

Decision-makers
318 male
117 female

Board of Directors
8 male
1 female

Our People Highlights

Claire Hall was appointed as Group EVP People and now leads the central Human Resources function within the Group, driving change and developing standardisation in employee recruitment, training and retention.

The Human Resources Committee was constituted by the Board in early 2017 and will assist the Board in fulfilling its obligations in respect of all HR matters and ensure standardisation of HR structure, policies and processes.

Our online recruitment and applicant tracking tool continued its successful integration during the year with the addition of our graded management population and the roll-out of the tool in Oceania and South East Asia. The system provides a more efficient management recruitment process and has significantly improved the volume and quality of external candidates.

A new SAP-based HR data management system was launched in the UK to enable the digitisation and centralisation of employee data. It is intended to roll this out to other regions during 2018 as part of a global project.

Global implementation of our new learning management system, Empower, during 2018 will enable us to deliver e-learning courses directly to employees, with complete records of training and performance for each individual.

Responsible Business continued

Integrity and Compliance

We are committed to conducting our business fairly, honestly, safely and in compliance with all applicable laws, regulations and ethical standards. We aim to deal with our business partners with integrity and in good faith and seek to avoid doing business with third parties who do not subscribe to equivalent standards; accordingly, we engage only with those business partners (including customers, contractors, sub-contractors, agents, suppliers and joint venture partners) whose business ethics and behaviours align with those of the Group, regardless of where in the world they might be located.

To underline the strength of our commitment to doing business the Menzies way, the Company is currently in the process of implementing a revised Group-wide Compliance Programme that is designed to meet both internal and external requirements (legislative, regulatory and otherwise); this will be a key 2018 initiative. Whilst responsibility for compliance ultimately lies with all Group employees, the Compliance Programme will include ongoing efforts to assess, evaluate, monitor and audit adherence to applicable compliance policies and procedures. These efforts will be supported by functions such as Group Internal Audit, Group Legal, Human Resources, external audit providers and others.

The Compliance Programme will be overseen by the Director of Corporate Affairs and will be a key driver in reinforcing how business across the Group can and should be conducted. Upon full implementation, it will be reviewed periodically and adapted and enhanced as necessary to meet changing business needs and external requirements.

Responsible Business in Action

CCTC NEW ZEALAND: I HAVE A DREAM

In October 2017 12 Menzies Aviation managers visited the 'I Have a Dream' foundation, a charity operating in Whangerai, New Zealand. The charity supports over 600 children from low decile schools and seeks to inspire and enable children to achieve academic and life success.

Our team provided the children with a series of 'dream day trips', including a behind-the-scenes airport tour, surfing lessons, Maori canoeing, the release of a charity single and a talk from record-breaking cyclist Mark Beaumont.

These unique experiences were designed to build the children's self-esteem, to inspire them to realise their potential and choices and provide them with memories which would last a lifetime. The team's work and the funds raised also provided a legacy fund for future activities.

"WE EXPECT EVERYONE TO CONDUCT BUSINESS WITH HONESTY AND INTEGRITY – AND TO REFRAIN FROM DOING ANYTHING THAT COULD HARM OUR REPUTATION OR OUR OPERATIONS."

John Geddes, Company Secretary & Director of Corporate Affairs

In this regard, a new Group Code of Conduct has recently been finalised that will be the foundation of the Compliance Programme. This Code represents our guide to doing the right thing, at the right time and in the right way (i.e. the Menzies way) and provides a set of values and standards for our People to guide them in their decision-making processes and set the behaviour expected of them. It will apply to every Group employee, at every level within our business, and the culture that it underpins will be fundamental to the success of the Group, outlining the expectations and framework for ethical and compliant behaviour.

The Code of Conduct will be supported by more detailed policies and procedures which build upon the documentation currently in place and govern key compliance topics across the business such as human rights, anti-bribery and anti-corruption and anti-slavery and human trafficking. Everyone who is employed by the Group will be issued with the Code of Conduct upon induction and required to certify that they have read and understood it. It is intended that annual certification will also be introduced.

A new Third Party Code of Conduct is also in the process of being compiled. This details the standards that we expect all our business partners to adhere to and the ethical parameters within which they should conduct business for or on behalf of the Group. Going forward it is intended that all business partners will be required to sign up to, and comply with, this Code and annual certification of conformance will again be required.

Bribery and corruption in any form is not tolerated within the Group, either directly or through third parties, and we strive to instil the highest ethical standards at all levels of our operations. However, our success depends on our People's commitment to doing the right thing, at the right time, in the Menzies way and having the courage to speak up if they see or hear something that appears to, or they suspect may, breach our operating standards. In this regard, EXPOLINK, our global whistleblowing hotline, continues to play an invaluable role providing an anonymous reporting mechanism, 24 hours a day, seven days a week, that facilitates reporting of actual or potential illegal, unethical or improper conduct.

ABOUT TRACE

TRACE is a globally recognised anti-bribery business organisation and leading provider of cost-effective third party risk management solutions. Members and clients include hundreds of multinational companies headquartered worldwide. For more information, visit www.TRACEinternational.org.

Integrity and Compliance Highlights

Underlining our zero tolerance approach to bribery and corruption and our commitment to conduct business ethically, we became a member of TRACE in May 2017.

Katy Reid was appointed Group Compliance Manager during 2017 and is responsible for driving the Group's global Compliance Programme. Her role covers a wide range of corporate governance matters but with a particular focus on items relating to, for example, anti-bribery and anti-corruption and anti-slavery and human trafficking; she is charged with ensuring that our business operates ethically and in accordance with all applicable legislation, regulations and standards.

In November 2017 the Group's first Data Protection Officer, Colin Currie, was appointed. In addition to assuming responsibility for the creation of policies and guidance relating to data protection and subject access requests, rolling-out relevant procedures and training and supporting the Group on data security and privacy-related matters, Colin, in conjunction with other relevant internal functions, is responsible for ensuring that the organisation has undertaken the necessary health checks and is GDPR-ready when the new legislative changes take effect in May 2018.

Pursuant to section 54(1) of the Modern Slavery Act 2015, the Company published its first ever Anti-Slavery and Human Trafficking Statement in June 2017 setting out the steps taken by it to ensure that slavery and human trafficking do not occur in our supply chains or any part of our business.

Responsible Business continued

Health, Safety and Security

Health, safety and security are at the heart of our business activities, with the management of risk serving to inform and protect every element of our operations. Robust risk management systems help protect our assets, promote the interests of our stakeholders and are fundamental to the welfare of our employees and the success of the Group. Good health, safety and security practices are not regarded as the responsibility of any one individual or department; rather they should be viewed as a collective effort where every employee is responsible for playing their part. As a risk-led organisation we aim to safeguard the health, safety and security of all our employees; we seek to establish and maintain robust processes, procedures and policies for identifying, managing and minimising risk-related incidents; and strive to ensure best practice and compliance across our business by implementing standardisation and transparency through our 8 Pillar Audit Programme.

Our People are encouraged to participate in the continued adoption of risk-conscious behaviour in their daily performance. Employees across the Group can utilise our SMART (Standard Menzies Audit Reporting Tool) operational inspection tool which allows users to submit a basic audit of activities they observe.

In 2017 we implemented our new Security Management System. This is a programme to identify, monitor and manage security risks throughout our business and ensures we have the ability to prepare for, prevent and react to security issues in the most efficient way. Continual improvements were also made to Group security systems, including:

Responsible Business in Action

10 YEARS OF IATA

Menzies Aviation was pleased to join the International Air Transport Association ("**IATA**") in Geneva in October 2017 to celebrate the 10 year anniversary of the IATA Safety Audit for Ground Operations ("**ISAGO**"). IATA supports many areas of the Aviation industry, helping to shape policy and assisting in the development and implementation of industry standards and technical solutions.

Menzies Aviation strives to meet the ISAGO safety standards across its network with 17 of our stations registered. It is also the first ground handler in the world to be registered under the new ISAGO Standards Manual Model 6th Edition.

Health, Safety and Security Highlights

Due to increased security awareness, investment in security training, stop and searches, improved supervision and against more stringent reporting standards, our security incident rate improved by 39% during 2017.

Following the acquisition of ASIG, Fuelling audits were performed for the first time in 2017 and opportunities identified for improvement; an outcome of this will be the development of a Fuelling-specific 8 Pillar Audit Programme in 2018 and standardisation of processes.

A total of 72 8 Pillar audits were completed across the Group with Ground Handling, Cargo Handling and Distribution all reporting an average of 90% conformance to policies and processes. Operations were subjected to 890 external audits, with 75% of those audits resulting in zero findings.

The SMART tool continues to play a key role in the management of Group safety: Over 362,000 inspections were conducted in 2017 via the mobile application which translates as one every three minutes in Ground Handling, one every 60 minutes in Cargo Handling and one every 72 minutes in Distribution centres.

- the evolvement of our whistleblowing hotline, serviced by EXPOLINK, into an online portal providing 24-hour daily global access;
- the introduction of F24, a virtual crisis management system; and
- access to travel trackers and International SOS, the world's leading medical and travel security risk services company that provides alerts and advice for and about our business travellers.

Influence on the Environment

Employing over 36,000 employees and with an operational network across six continents, we are acutely aware of the potential impact which our business may have on the communities in which we operate. We recognise that being a socially responsible company enhances our overall value, both in the short and long-term, and are fully committed to the minimisation of the Group's environmental footprint. Under the terms of our Environmental Mission Statement, we seek to identify significant aspects and impacts of our activities on the environment, mitigating risks and implementing preventative measures wherever possible; we strive to not only meet but also exceed the requirements of the relevant legislation and work within best practices to set the highest standards in all aspects of our operations.

From waste disposal to energy management, our environmental processes and procedures are subject to continual review as we endeavour to promote sustainable management practices and seek to identify potential improvements. For example, 1,168 electric vehicles, a combination of owned and leased, are currently utilised in Menzies Aviation's GSE (ground support equipment) fleet; this figure represents approximately 16% of our total motorised GSE fleet and is one which we would hope to increase further during 2018. Additionally, the acquisition of the Gnewt Cargo business, which carries out final-mile parcel deliveries in congested urban areas within Central London using solely electric vehicles, demonstrates our commitment to carbon emissions reduction and the promotion of technologies that improve our sustainable practices.

Throughout 2017 the Group engaged the services of an independent verifier, Carbon Footprint Ltd. ("**Carbon Footprint**"), for carbon emission monitoring. Going forward, our goal is to streamline the reporting process and feed data directly to our independent verifier – all data would therefore be collated by one central party and then subsequently analysed and reviewed. This will provide the clearest indication of the running carbon dioxide equivalent ("**CO_2e**") levels in the business and the effectiveness of any reduction measures we implement. It should be highlighted that as a result of the ASIG integration process only estimated figures, based on a sample of monthly data for each of the individual sites, have been included in the Menzies Aviation figures (contained on page 47 of this Annual Report and Accounts 2017) in respect of the ASIG entities acquired. All ASIG emissions data will be comprehensively captured in 2018 and reported on in our Annual Report and Accounts 2018.

A number of initiatives have been identified as key focus areas for the Group's environmental stewardship. A major focal point will be the development and implementation of an Environmental Management System ("**EMS**") across the Group network. The EMS will be written in accordance with the ISO 14001:2015 standard, with the future ambition of having the EMS audited and accredited to this standard, a level of accreditation which will clearly demonstrate our commitment to environmental stewardship.

The Group is proud of Menzies Distribution's status as a Carbon Trust Standard holder for nine consecutive years. The Standard recognises the business' commitment to measure, manage and reduce its carbon footprint.

This development and implementation is already underway with the Menzies Aviation Iberica operation achieving ISO 14001:2015 status during 2017.

As part of the EMS development, it is intended that a network-wide waste management strategy will also be developed and implemented; this will look at both operational and office work areas to establish a more robust recycling protocol and seek to increase awareness of correct waste segregation. We would wish to increase the level of operational oversight through the appropriate co-ordination with our waste contractors, in addition to considering waste prevention and the ways in which we can prevent waste production (e.g. going paperless with some of our processes).

Energy management is another area which will be subject to consideration in 2018. Where possible we will aim to reduce the consumption of non-renewable energy and increase the use of renewable energy sources and technologies that reduce fossil fuel consumption (e.g. electric vehicles). We will also seek to identify opportunities in close proximity to our operations that volunteers can get involved in to promote environmental causes.

Responsible Business continued

Greenhouse Gas Emissions Reporting
Under the Climate Change Act 2008 and the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "**Regulations**"), we are mandated to disclose the greenhouse gas ("**GHG**") emissions arising from our operations. We disclose this figure in the form of tonnes of CO_2e on all material emissions of the six gases covered by the Kyoto Protocol generated from both direct sources and purchased electricity, heat, steam and cooling.

The period covered for the purposes of this GHG Emissions Reporting section is 1 January 2017 to 31 December 2017. We report on Scope 1 emissions (direct combustion of fuels) and Scope 2 emissions (indirect combustion e.g. purchased electricity) as follows: Scope 1 – fuels consumed by passenger and delivery vehicles, natural gas consumption in buildings and fugitive emissions of refrigerants; and Scope 2 – UK electricity and overseas electricity.

In order to ensure optimum transparency, all data is collated from sites and fed into our Carbon Tracker system, where the electricity usage and fuel consumption is calculated into CO_2e using emission factors issued by the Department for Business, Energy and Industrial Strategy (BEIS).

Our independent GHG verifier, Carbon Footprint, was originally engaged to certify that our 2016 data-sets were satisfactory, methodologies appropriate and conversion metrics/calculations sound, and continues to provide independent external verification of our data. Carbon Footprint has validated our submissions and confirmed that for 2017 our emissions factors, methodology and GHG calculations are robust. It continues to assist in the improvement of our data collection methodologies and is working with us to identify options which will allow us to offset a portion of our emissions.

Going forward we intend to improve upon the quantity of data captured using our Carbon Tracker, which in turn will provide further increased visibility on our emissions. We will also continue to engage with our colleagues who enter data into this system, highlighting the importance of this reporting generally and requesting feedback on how the process could be simplified operationally together with any other suggested improvements. This will serve to further foster and nourish an already positive carbon reporting culture.

The Company also participates in the following UK Government-driven carbon reporting schemes:

- the Energy Savings Opportunity Scheme ("**ESOS**") which runs in four year cycles; and
- the Carbon Reduction Commitment Energy Efficiency Scheme (the "**CRC Scheme**"), which is due to be phased-out in the next two years.

Responsible Business in Action

ENVIRONMENTAL INNOVATION

Our acquisition of Gnewt Cargo provides us with the opportunity to build on relationships and partnerships with public funding bodies such as Innovate UK, Transport for London and the London Mayor's Office, as well as the UK's best logistics academia.

We are currently working on a number of research partnership projects that consider not only how we could more effectively electrify our Distribution fleets but also explore innovative methods of undertaking deliveries in urban locations in a more efficient and environmentally friendly way through the reduction of emissions and congestion.

Projects include the development and utilisation of alternative electric vehicles exclusive to the UK market and the development of models that utilise more deliveries on foot whilst using electric vans as mobile depots.

CO_2e Emissions

Measure	2017 Global tonnes of CO_2e Group Total	Aviation Division	Distribution Division	2016 Global tonnes of CO_2e Total	2017 UK tonnes of CO_2e UK Total	Aviation Division	Distribution Division	2016 UK tonnes of CO_2e Total
Combustion of fossil fuels	**169,319**	131,111	38,208	**63,841**	**45,889**	7,681	38,208	**30,864**
Electricity purchased for own use	**50,814**	47,389	3,425	**21,080**	**6,202**	2,777	3,425	**6,443**
Total	**220,133**	178,500	41,633	**84,921**	**52,091**	10,458	41,633	**37,307**
Intensity ratios (tonnes of CO_2e)								
Per £000 turnover		0.137	0.034			0.037	0.034	
Per aircraft turnaround	**0.148**	0.120		**0.068**	**0.140**	0.028		**0.124**
Per £000 turnover total	**0.087**			**0.041**	**0.035**			**0.027**

ESOS
ESOS is a mandatory UK energy assessment scheme which has been in force since July 2014. It requires larger companies and non-public sector organisations to conduct energy saving assessments and identify where energy savings can be implemented. Carbon Footprint was appointed our Lead Assessor and undertook our Phase 1 ESOS-compliant energy audit, covering the period 1 January 2014 to 31 December 2014. As a Scottish headquartered business, we were also required to submit these audit findings to the Scottish Environment Protection Agency (SEPA).

The ESOS scheme is currently in Phase 2 and we must conduct our Phase 2 energy assessment before it concludes in 2019. The decision is pending as to when this will take place.

Carbon Footprint previously identified a number of opportunities that would allow us to reduce our total energy consumption (including buildings and direct transport-related energy). An ongoing programme of energy management is in place and we now have accurate baselines of energy consumption at our locations. Where practical, therefore, energy saving measures can be identified and implemented at certain sites; we will be able to reduce our energy consumption and in turn our CO_2e footprint. Such initiatives will form part of our environmental strategy and should be reflected in the ESOS Phase 2 assessment.

CRC Scheme
The CRC Scheme, effective from April 2010, is an obligatory emissions trading scheme with the stated objective of improving energy efficiency and reducing carbon dioxide emissions in large public and private sector organisations. Under the Scheme, we must report annually on our UK operations' energy usage, a disclosure which continues to be of assistance from a GHG reporting perspective.

Whilst the CRC Scheme is scheduled to be abolished following the 2018/2019 compliance year, our work plans in this regard continue and we will submit our annual compliance report to the CRC Registry by 31 July 2018.

This Emissions Reporting section is incorporated into the Directors' Report contained on pages 84 to 89 of this Annual Report and Accounts 2017.

Influence on the Environment Highlights

Edward Levine was appointed VP Group Environment & Sustainability in October 2017 and is tasked with overseeing the Group's Environmental Programme and ensuring full compliance with all legislative and regulatory requirements.

We acquired Gnewt Cargo Limited in August 2017; Gnewt operate the largest all-electric vehicle fleet in the UK and delivered over 2.8m parcels during the year.

Cloud-based 'Carbon Tracker' software was implemented on a global basis, serving to enhance and standardise our carbon data consolidation process and allowing tailored carbon reduction programmes to be implemented regionally.

We achieved a target of 90% landfill avoidance for waste collected from 36 Menzies Distribution locations during 2017.

Responsible Business continued

Our Social Contribution

Successive generations of the Menzies family have served as both leaders and custodians of John Menzies plc and, through recognition of the importance of social responsibility and the impact of our operations on the environments in which we operate, the Company continues to preserve and grow its operations for future generations. We seek to provide charitable support to organisations that both assist and empower the generations that preceded us and invest in the wellbeing and opportunities of the generations that will follow us.

Additionally, during 2017 we were guided by the community and charitable priorities of our People and also continued to support causes with whom we have had fruitful partnerships in the past and who satisfy the three fundamental objectives of our social investment criteria i.e.:

- encourage and build relationships within both the geographical areas and the sectors in which we operate;
- make charitable contributions that reflect our shared company-community values; and
- invest in local people, communities and industries.

During 2017 our Regions were asked to identify charities which reflected these objectives and resonated with our continuing charitable theme of the relationship between generations. An annual budget of £100,000 was approved by the Board with £80,000 allocated to the Main Charity Fund and £20,000 allocated to the John Maxwell Menzies Fund, which is used to encourage employee participation in charitable, voluntary and community-related activities and provides individual cash awards of up to £350 per employee or £700 per team of employees.

The Strategic Report on pages 1 to 48 of this Annual Report and Accounts 2017 has been approved by the Board of Directors in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board

John Geddes
Company Secretary & Director of Corporate Affairs
12 March 2018

Our Social Contribution Highlights

In 2017 Menzies Aviation re-introduced its Cross-Cultural Team Challenge which saw two teams of high-performing managers, selected from across the globe, participate in fundraising activities designed to develop their leadership capabilities and raise funds for the nominated charities, further details of which can be found in the case studies on pages 40 and 42.

£21,250 was donated to organisations nominated and championed by our People, reflecting causes close to their hearts.

£23,750 was committed to organisations that support and invest in the younger generations through promoting the wellbeing of children and tackling issues which undermine their life chances such as inequality, poverty and lack of education.

£16,000 was donated to organisations that assist and empower the generations which preceded us by enabling their independence, addressing their social and health needs and generally improving their quality of life.

TIME TO BEAT CANCER

The Company has been touched by cancer at all levels in recent years and thus chose to support the Beatson Cancer Charity in the United Kingdom in honour of those colleagues who lost their battle against the disease.

Joyce Ross, Beatson's Corporate Partnerships Manager, said: "Beatson Cancer Charity is so grateful for the continued support of John Menzies plc. This vital funding will go towards patient and family support services, plus a range of specialist posts including nursing, radiography, physics and research-based staff as well as additional staff training and development."

MORE THAN JUST A MEAL

Metroport Meals on Wheels is a Texas-based charity which describes itself as a group of 'neighbours helping neighbours, working to alleviate hunger... and foster the independence, worth and dignity of each individual'. Menzies Aviation's Americas region selected Metroport Meals on Wheels as one of its nominated charitable beneficiaries for 2017 in light of the organisation's positive and compassionate contribution to community life.

GOVERNANCE REPORTS, FINANCIAL STATEMENTS AND SHAREHOLDER INFORMATION

Chairman's Introduction

A ROBUST GOVERNANCE FRAMEWORK

Dr. Dermot F. Smurfit
Chairman

Dear Shareholder,

On behalf of the Board of John Menzies plc I would like to introduce our Governance Reports for the financial year ending 31 December 2017. As you will see, these describe how the Company has continued to apply the principles of good corporate governance contained in the UK Corporate Governance Code (April 2016) (the "**Code**") throughout the year and provide information on the workings of the Board and its Committees, together with details of our systems of internal control and risk management.

In accordance with the Financial Conduct Authority's Listing Rules we are required to report on how we have complied with the main principles of the Code. I am happy to report that it is the view of the Board that the Company has complied with all relevant provisions for the 2017 financial year and continues to do so.

Integrity is a crucial component of our business and as a Group we are committed to conducting business honestly, fairly, safely and in compliance with all applicable laws, regulations and ethical standards. To do this it is imperative that we have a robust governance framework in place across our operations which not only sets the ethical parameters we must work within but which is flexible enough to allow us to pursue our strategic objectives and expansion opportunities and in turn generate sustainable shareholder value.

I am confident that we do have such a framework in place, as clearly proven through the transformational ASIG deal and the successful integration of the business into our operations which was underpinned by our relentless drive for operational excellence and standardisation.

Whilst Dermot Jenkinson resigned during 2017 after a 32 year tenure on the Board, I was delighted to welcome Philipp Joeinig as a Non-Executive Director following a review of Board structure. Philipp's extensive Aviation industry knowledge further strengthens the overall skillset of the Board which, I believe, is well-placed to address the constantly changing needs of our operations and drive forward the Group's strategic priorities and objectives. In 2018 we will continue to evolve and enhance our leadership capabilities as and when considered desirable, unlocking the significant potential that exists within the Group, and ensure that the appropriate succession plans are in place at all levels of our business.

Dr. Dermot F. Smurfit
Chairman
12 March 2018

Board Structure

Board
Principal responsibility is to ensure the long-term success of the Company, assuming responsibility for the Group's overall strategy and providing shareholders with stability and growth.

Audit Committee
Monitors the integrity of the Group's financial reporting and financial statements, reviews the effectiveness of internal controls and risk management, and oversees the relationship with the external auditor.

Nomination Committee
Ensures appropriate succession plans are in place and reviews the structure and composition of the Board to ensure the necessary balance of knowledge, skills and experience to develop and support Group strategy.

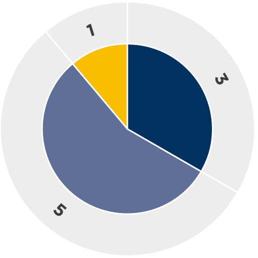
Remuneration Committee
Determines and agrees the Company's remuneration policy in respect of Executive Directors and the Chairman, together with their specific remuneration packages.

Human Resources Committee
Assists the Board in fulfilling its Human Resources obligations and ensures standardisation, adequacy and effectiveness of structure, policies and process.

Executive Committee
Responsibility for operational and strategic matters.

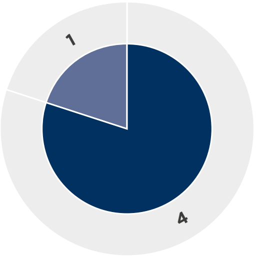
AVIATION | **DISTRIBUTION**

Composition of the Board



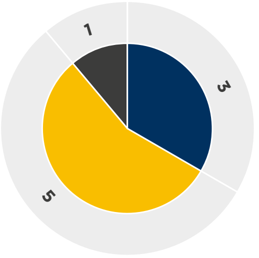
- Executive Director – 3
- Independent Non-Executive Director – 5
- Chairman – 1

Length of Tenure (Non-Executive Directors)



- 0-3 years – 4
- 4-6 years – 1
- 7-9 years – 0
- More than 9 years – 0

Board by Gender



- Executive Male – 3
- Executive Female – 0
- Non-Executive Male – 5
- Non-Executive Female – 1

UK Corporate Governance Code

The Board remains committed to the principles of good corporate governance contained in the UK Corporate Governance Code (April 2016) (the "**Code**"), which is published by the Financial Reporting Council and available on its website at www.frc.org.uk. The Company continues to follow the good practice which the Code recommends and the Board considers that the Company has applied the principles and complied with the provisions set out therein throughout 2017, as detailed in this Statement and the associated Reports.

The Board believes that the Annual Report and Accounts 2017 are, when taken as a whole, fair, balanced and understandable, providing shareholders with the requisite information to assess the Company's performance, business model and strategy.

Board of Directors

Committee Membership Key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- H Human Resources Committee
- $\boxed{}$ Indicates Committee Chair




Name and Title	**Dr. Dermot F. Smurfit** Chairman	**Forsyth Black** Executive Director, President & Managing Director, Menzies Aviation	**Giles Wilson** Executive Director, Chief Financial Officer	**John Geddes** Executive Director, Company Secretary & Director of Corporate Affairs
Date of Appointment	July 2016	January 2016	June 2016	November 2016
Experience and Skills	Dermot brings a wealth of cross-industry experience to bear on his leadership of the Company. He previously served as Chairman of Powerflute Oyj and was joint Deputy Chairman of Jefferson Smurfit Group PLC (1994-2003) and its worldwide Director of Sales and Marketing (1997-2003). Prior to this he held a number of other senior positions within the group. Dermot is a former Chairman of Anker PLC, Peach Holdings PLC, the World Containerboard Organisation and FEFCO, the European Federation of Corrugated Board Manufacturers. He was also previously Chairman of Eurolink Motorway Services Limited and a Director of ACE Limited, Aon BV., Timber Capital Limited and The Forest Company Limited.	During the course of his 17 year career with the Group, Forsyth has worked in a number of commercial and operational leadership roles across the Aviation Division and most recently served as Managing Director of Menzies Distribution. Forsyth brings a wealth of commercial, managerial and business development experience to the Board, having launched and grown our African Aviation business, established our Aviation business in India and led the entry of Menzies Distribution into the parcel delivery market.	Giles brings great financial acumen and a deep knowledge of the Aviation Services market to his role on the Board. He has worked with the Group since 2011 in a variety of senior roles, including Finance Director of Menzies Aviation and Senior Vice-President of the Group's African, Middle East and Indian Operations. A chartered accountant, he was formerly Finance Director of Commercial Estates Group and held senior finance positions at Gallaher Group PLC, including Finance Director UK.	John has held the position of Group Company Secretary since 2006, having joined the Group in 1997. He was appointed to the Board in late 2016 and is a member of IATA's Ground Operations Group. John has extensive knowledge of both Operating Divisions and his responsibilities include Governance, Risk and Investor Relations. As a Chartered Secretary, John's career has included Company Secretariat posts at Bank of Scotland plc and Guinness plc.
Other Appointments	Chairman of ML Capital Group Chairman of AustroCel Hallein GmbH Director of Gamma (Fiber) Holdings 1 B.V.	Director of various Group companies	Director of various Group companies	Board member of the Airport Services Association Director of various Group companies
Committees	n/a	H	n/a	H





Name and Title	**David Garman** Non-Executive Director & Senior Independent Director	**Silla Maizey** Non-Executive Director	**Geoff Eaton** Non-Executive Director	**Paul Baines** Non-Executive Director	**Philipp Joeinig** Non-Executive Director
Date of Appointment	June 2015	May 2014	June 2015	June 2016	June 2017
Experience and Skills	David brings comprehensive industrial experience and logistics sector expertise to the Board. He was previously Chief Executive of TDG plc, a European contract logistics and supply chain management business; an Executive Director of Associated British Foods plc; held Non-Executive directorships at St Modwen Properties PLC, Kewill Limited, Victoria PLC and Phoenix IT Group PLC: and occupied a variety of management roles at United Biscuits.	Silla is a qualified accountant and brings extensive experience of the air travel industry to the Board. She enjoyed an Executive career at British Airways (1978-2012) holding a number of roles within Finance, Procurement, Corporate Responsibility and Customer Services. Most recently Silla served as Managing Director of London Gatwick.	Geoff is a chartered accountant and has had an extensive Executive career, with roles including Chief Operating Officer of Premier Foods plc and Chief Executive Officer of Uniq plc. He has a considerable business-to-business track record in both Europe and the United States, experience of diverse corporate cultures and brings extensive international business experience to his Board position.	Paul brings extensive Corporate Finance experience to the Board. Since 2013 Paul has held senior advisory roles with Vermilion, a leading China-based investment banking firm, and Smith Square Partners, a UK-based independent corporate advisory firm. He served Hawkpoint Partners, a then leading independent corporate advisory business, as Chief Executive (2003-2009) and Executive Chairman (2009-2013); was a main board director of Collins Stewart Hawkpoint plc (2006-2012); and, prior to joining Hawkpoint Partners in 2000, was Chief Executive (Corporate Finance Division) of Charterhouse Bank.	Philipp brings a deep understanding of the Aviation Services industry to the Board, having occupied a number of senior roles within Swissport International Limited over a nine year period (2007-2016), latterly as Executive Vice-President covering Europe Central, East and West. Prior to this his career included management consultant roles with both Management Consulting Group PLC and Lausanne Consulting Group Limited.
Other Appointments	Non-Executive Director of Troy Income & Growth Trust plc Non-Executive Director of Speedy Hire Plc Director of various private companies	Chair of NHS Business Services Authority Non-Executive Director of the Crown Commercial Service Non-Executive Director of Network Rail Limited	Chairman of New England Seafood International Limited Chairman of Butcher's Pet Care Limited		
Committees	A $\boxed{N}$ R H	A N R $\boxed{H}$	A N $\boxed{R}$	$\boxed{A}$ N R	A H

Corporate Governance Statement

Board Composition and Responsibilities

Following the appointment of Philipp Joeinig and the resignation of Dermot Jenkinson during 2017, the Board currently comprises:
- the Chairman;
- three Executive Directors; and
- five Non-Executive Directors,

as detailed in the diagram on page 51 of this Annual Report and Accounts 2017. The skills and experience of individual Board members are a key focus, together with the collective knowledge and composition of the Board more generally, to ensure the leadership needs of the organisation are met and the Company is well-placed to execute its strategy and compete effectively in the markets in which it operates.

The composition of the Board is subject to annual review. Whilst the current balance of Executive/Non-Executive Directors is considered appropriate (with specific reference to the collective balance of skills, knowledge and expertise), at the appropriate time in 2018 the Nomination Committee will consider whether refreshment is required in light of current or proposed Group strategic developments. All new Directors are subject to election by shareholders at the first annual general meeting following their appointment and, together with all incumbent directors and in accordance with best practice principles, subject to annual re-election thereafter. Further biographical information on the current Board can be found on pages 52 and 53 of this Annual Report and Accounts 2017.

The Board's primary collective responsibility is to promote the long-term success of the Company for the benefit of its shareholders as a whole. In providing leadership to and setting the strategic direction of the Group, the Directors must identify and manage the interests of internal and external stakeholders within the robust framework of internal controls which exists.

In addition to setting and monitoring the delivery of the Group's strategy, the Board has a formal schedule of items specifically reserved for its consideration. The Board will, for example, consider and approve, if appropriate, financial and operational matters such as potential acquisitions and disposals, major non-recurring projects and capital expenditure above certain thresholds; the Group's financial statements and Viability Statement; and the appropriateness of going concern sign-off at the half year and year end. It also assumes regulatory and governance responsibilities across a broad spectrum of matters including Corporate Social Responsibility, Health and Safety and key Group policies.

Chairman

Our Chairman, Dr. Dermot F. Smurfit, is tasked with leading the Board in an ethical manner whilst promoting not only the effectiveness of the Board and individual Directors but also effective Board relationships. He must ensure the Board is well-balanced in terms of composition and succession-planning and oversee and appropriately action Board evaluation. Whilst directing the Board in the determination and development of the Company's strategy, Dr. Smurfit ensures he is always available to Executive Directors should any issues or concerns arise and is actively involved in engagement with shareholders and other stakeholders when required. Upon his appointment, he was considered to satisfy the independence criteria set out in the Code.

Senior Independent Director

David Garman continues to be the Company's Senior Independent Director. Providing assistance and support to the Chairman in the execution of his duties, David is available to the Company's shareholders, and other stakeholders, where issues or concerns arise that cannot be resolved through the standard channels. In conjunction with the Non-Executive Directors, David is also involved in the Chairman's performance appraisal which takes place on an annual basis.

Executive Directors

Each of our Executive Directors has specific duties and responsibilities which have been agreed by the Board as a whole and which may at times vary in accordance with business needs and/or the evolving nature of our operations. Collectively, the role of the Executive team is to oversee the day-to-day management of the Company, providing clear and robust leadership to both the business as a whole and the Senior Management team whilst simultaneously driving the successful delivery of the Group's strategy.

Non-Executive Directors

Our Non-Executive Directors are also involved in the effective development and execution of the Group's strategy. They are expected to provide independent challenge to the performance of Management, including the Executive team, where appropriate and must satisfy themselves in respect of both the robustness of the Group's systems of internal financial controls and risk management and the integrity of the financial information. In accordance with best practice, our Non-Executive Directors annually evaluate the performance of the Chairman.

During 2017 one new Non-Executive Director, Philipp Joeinig, was appointed as it was considered that his experience within the Aviation industry would be a valuable addition to the Board's knowledge base as the Company continues to strengthen its business and looks to take advantage of the potential expansion opportunities that exist.

Directors must exercise their judgement independently from the influences of others and the independence of individual Directors is reviewed on an ongoing basis by the Board, taking into account the characteristics of independence contained within the Code. All current Non-Executive Directors are considered independent and, throughout 2017 and since the end of the financial year ending 31 December 2012, all Directors on each of the Board Committees referenced below have been independent in compliance with the Code.

Board Meetings and Support

The Board has a formal schedule of matters reserved for its consideration and during 2017 met eight times, as scheduled (as detailed below), although additional Board meetings may take place throughout the year if required. Directors receive Board papers in advance of all Board meetings through a secure electronic platform and are given the opportunity to feedback on the content and quality of Board packs via the annual Board evaluation process.

Board and Committee meetings attendance in 2017

	Appointed/ resigned	Board	Audit Committee	Remuneration Committee	Nomination Committee	Human Resources Committee[1]
Meetings		**8**	**3**	**2**	**2**	**2**
D Smurfit	July 2016	8/8	–	–	–	–
F Black	January 2016	8/8	–	–	–	2/2
G Wilson	June 2016	8/8	–	–	–	–
J Geddes	November 2016	8/8	–	–	–	2/2
S Maizey	May 2014	8/8	3/3	2/2	2/2	2/2
D Garman	June 2015	8/8	3/3	2/2	2/2	2/2
G Eaton	June 2015	8/8	3/3	2/2	2/2	–
P Baines	June 2016	8/8	3/3	2/2	2/2	–
P Joeinig	June 2017	5/5	2/2	–	–	2/2
Former Directors						
D Jenkinson	October 2017	3/7	–	–	–	–

Note:
1. Claire Hall, Group EVP People, is also a member of the Human Resources Committee.

Corporate Governance Statement continued

In July 2017 an offsite Board meeting was held in Menzies Aviation's Americas regional Head Office at Diplomacy House, Fort Worth, Texas, our new facility that was opened in February 2017, following the acquisition of ASIG, and located to the immediate south of Dallas/Fort Worth International Airport. The Directors thereafter undertook a visit to our fuel farm operations at Dallas Love Field Airport. The October Board meeting also took place offsite at Oslo Airport, one of our Aviation network locations. The Board appreciates the value in undertaking such offsite meetings providing, as they do, the opportunity to both engage with our People on the ground and ensure an up-to-date awareness of the Company's operations.

The Group Company Secretary is available to support Directors as required and is on hand to ensure that independent professional advice is available to both Executive and Non-Executive Directors where considered necessary to enable them to effectively discharge their directors' duties.

Induction, Development and Diversity

A formal induction programme is in place for all new Board appointments to ensure new Directors undergo a comprehensive introduction to the Group and are ably equipped to effectively discharge their Board and Committee responsibilities. Whilst this programme is structured in terms of key content and items covered, it is also tailored to the individual development needs and experience of the new Board member in question. It is imperative that all new Directors fully understand the Group's operations, its strategic objectives and the landscapes, regulatory, legislative and otherwise, in which it operates and, to this end, all new Directors will participate in introductory meetings with both the Executive team and relevant members of Senior Management in addition to undertaking site visits to provide operational visibility. The Chairman and other Non-Executive Directors are also on hand to advise as appropriate and structured briefings are arranged to ensure full familiarity with the Group, its governance, policies and procedures, together with meetings with major shareholders. Philipp Joeinig underwent this induction process following his appointment in June 2017, tailored as necessary to take account of his experience and knowledge.

There is a keen recognition that the continuing development of the Company's Board is important if it is to perform effectively and a number of arrangements are in place to ensure all Board members receive any training that they require or may desire. Training needs are identified through the annual Board evaluation process following which the Group Company Secretary and the Chairman discuss the necessary training and development outcomes, with Directors also encouraged to undertake such site visits as may be appropriate and/or desirable to achieve a comprehensive understanding of Group operations. The Group Company Secretary will also arrange for the Board to be kept apprised of key regulatory, policy, governance and other issues through a variety of means such as the inclusion of briefing papers within Board packs or the attendance of guest speakers at Board meetings.

The Board is eager that the talent pipeline within the Group continues to be fostered and supports the training needs of all Group employees. It remains committed to diversity and equality and is fully cognisant of the advantages which diversity, in whatever form, can introduce to important decision-making processes, both within and outwith the Boardroom. In terms of the latter, each of the Business Leadership teams is tasked with ensuring that the skills and talent of Group employees are advanced to enable them to progress within the internal talent pipeline. However, whilst due regard is given to diversity in the context of potential Board appointments, individuals are nominated and ultimately appointed to the Board on the basis of merit and evaluation against objective criteria; the Board remains of the opinion that setting a quota will not produce the optimum result in terms of the balance of relevant skills, knowledge and experience necessary to drive the Group's strategic objectives and deliver long-term shareholder growth. The Group's approach to diversity and inclusion, including the development of a full Diversity Policy, is detailed on page 41 of this Annual Report and Accounts 2017, which information is incorporated by reference into this Corporate Governance Statement.

Board Recruitment and Succession Planning

As referred to above, the Nomination Committee (further details of which can be found on pages 59 and 60 of this Annual Report and Accounts 2017) keeps the composition of the Board under review to ensure the appropriate balance of skills, knowledge and experience is present. The size and composition is monitored on an ongoing basis with a focus on key factors such as the Directors' collective knowledge and experience, diversity factors (including, but not limited to, industry and international experience, nationality and gender) and Board evaluation outcomes (in relation to which please see the following paragraph). To ensure adequate succession plans are in place the period in office of each Director is also considered.

External recruitment agencies may be engaged by the Nomination Committee if there is a need to fill a Board position, whether Executive or Non-Executive. The Committee is also responsible for Chairmanship continuity and must ensure that at any particular time a successor has been identified from within the incumbent Board or located via external means and, similarly, with regard to the replacement of Executive Directors.

Board Evaluation

During 2017 David Garman, the Senior Independent Director, led the annual Board effectiveness evaluation. This involved one-to-one discussions with each Director to understand and evaluate their responses to a concise Board questionnaire, the results of which the Board also collectively reviewed.

Whilst the overall conclusion was that the Board functions in an effective manner, with a measurable improvement being made in year on year results, some of the scoring reflected the ongoing work being undertaken in respect of particular key initiatives and strategies. Certain matters were highlighted for more detailed discussion including the desire to further streamline Board papers and the need to reduce discussions around operational detail which, at times, detracted from the consideration of key agenda items. It was also noted that whilst fewer Board meetings during the year had benefited both the preparation and quality of Board papers, the more extended period between meetings necessitated that all key points discussed were identified and comprehensively addressed in Board minutes.

A further evaluation outcome was that Board members were satisfied with the current Board composition but agreed that it should be reviewed at the appropriate time in 2018, with specific reference to Group strategic developments. Additionally, the introduction of site visits was viewed as a positive development and it was recognised that a Board meeting should be designated or added to allow for the specific consideration of strategy and succession planning. The Group's HR capabilities and People agenda were again highlighted as requiring particular focus, underpinned by the appointment of the Group's EVP People and the establishment of the Board's Human Resources Committee; it was noted that in addition to staff retention issues, the Board looked forward to proposals in relation to HR strategy more generally and a management development programme.

The Board remains a strong advocate of the principles and provisions of the Code regarding performance evaluation and may, periodically, engage external consultants to ensure the Company's evaluation process is fit for purpose and refreshed as appropriate. The last such independent review took place in the final quarter of 2014.

Board Committees

There are four principal Board Committees, Nomination, Remuneration, Audit and Human Resources, further details of which can be found on pages 59 to 83 of this Annual Report and Accounts 2017. Each of these Committees has defined Terms of Reference, as available on the Group's website, and delegated Board responsibilities. In accordance with Board policy, membership of the Committees comprises solely Non-Executive Directors and the Chairman of each of the Audit, Remuneration and Human Resources Committees is selected from Directors who are considered independent under the terms of the Code, whilst the Chairman of the Nomination Committee is the Senior Independent Director.

Committee membership is monitored regularly to ensure a suitable balance and rotation of Directors and the Group Company Secretary is available to each of the Committees to both provide guidance and support as required and ensure the Committees have the necessary resources to hand, including independent external advisers, to effectively discharge their duties.

In addition to Committee delegation, the Board has also assigned responsibility of operational and strategic implementation matters to the Company's Executive Committee, comprising the Executive Directors, the Managing Director of Menzies Distribution and other Senior Executives as required.

Corporate Governance Statement continued

Internal Control and Risk Management

The Board has overall responsibility for the Group's systems of internal control, covering financial, operational and compliance, and risk management and for annually reviewing the effectiveness of these systems. The Audit Committee has, however, delegated responsibility from the Board to review the effectiveness of these systems which are not designed to eliminate but rather manage and mitigate the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatement or loss. The day-to-day responsibility for such systems, including deployment and maintenance, sits with the relevant members of the Senior Management team, although during 2017 the Board regularly monitored the processes by which risks were identified, evaluated and managed and continues to keep the effectiveness of the Group's system of internal control and risk management under review.

Further details on how the Board manages business risks, including details of our risk management strategy, are shown on pages 32 and 33 of this Annual Report and Accounts 2017.

Relations with Shareholders

The Board is committed to establishing and maintaining effective communications with its shareholders, together with other third parties, and continues to develop its Investor Relations programme to ensure open and informative lines of communication are in place.

In addition to the standard calls and meetings with analysts and investors throughout the year, full and interim results presentations took place in London in March and August 2017 respectively whilst the Company hosted an Aviation Capital Markets Day in November 2017. Feedback is sought and communicated to the Board after such events, with regular updates provided on all shareholder and analyst meetings as a routine Board agenda item. The Chairman and Senior Independent Director remain available to meet with investors throughout the year and Board members may request meetings with major shareholders, arranged via the Group Company Secretary, as and when considered necessary.

The Company's website was re-launched during 2017 to make it more user-friendly and help improve dialogue with shareholders. It contains a wide range of information on the Group, including a dedicated Investor Centre through which the Company disseminates its various announcements, results and reports.

The Board is aware of the importance of maintaining a clear dialogue with shareholders and therefore welcomes the use of the annual general meeting ("**AGM**") as an additional forum through which to engage with shareholders; shareholders may ask questions either about the specific business to be considered at the AGM or, more generally, about the Group's strategy, performance and activities. The Chair of each of the Board Committees is always available to answer any shareholder questions and full details of the proxy votes cast on each resolution put to the AGM are released via a London Stock Exchange announcement and also made available on the Company's website as soon as reasonably practicable following the AGM.

Nomination Committee Report

David Garman
Nomination Committee Chairman

Committee Members

Name	Position	Attendance
D Garman	Chairman	2/2
S Maizey	Member	2/2
G Eaton	Member	2/2
P Baines	Member	2/2

Welcome to the Report of the Nomination Committee for the 2017 financial year. The Committee comprises solely independent Non-Executive Directors and is chaired by me, David Garman, as the Senior Independent Director. The other members of the Committee who served during the year are Silla Maizey, Geoff Eaton and Paul Baines, with the Group Company Secretary, John Geddes, continuing as Secretary. The Committee met on two occasions during 2017 with Executive Directors invited to attend where considered appropriate or necessary.

The Nomination Committee operates under formal and transparent Terms of Reference, closely reflecting the relevant provisions of the UK Corporate Governance Code (April 2016) (the "**Code**"), which can be found on the Company's website. During 2017 the Committee considered its Terms of Reference to ensure they remained fit for purpose and it was agreed that very minor alterations would be made.

Role and Responsibilities

A key responsibility of the Nomination Committee is to ensure that, collectively and at any given time, the Company's Board of Directors possesses the necessary balance of knowledge, skills and experience to support and develop the strategy of the Group. Accordingly, the Committee regularly evaluates this balance and must make the appropriate recommendations to the Board as and when considered appropriate.

In identifying potential Board appointees the Nomination Committee may use open advertising or the services of independent external advisers to facilitate the search in question. The recruitment process will be undertaken in accordance with the relevant Group recruitment policies and candidates from a wide range of backgrounds, identified on the basis of merit and against objective criteria, including the time they are able to commit to the role, will be considered. The Nomination Committee is cognisant of the benefits that diversity can bring both to the Boardroom and to the success of the business itself and is acutely aware of the importance of giving due and proper consideration to all aspects of diversity in its deliberations. Further information on the measures which the Group takes to support diversity can be found on pages 41 and 56 of this Annual Report and Accounts 2017.

During 2017 Philipp Joeinig was identified by the Nomination Committee as a suitable candidate for the position of independent Non-Executive Director; the balance of skills, knowledge and experience of the Board had been evaluated and the Nomination Committee considered that Philipp's international management consultancy experience, coupled with his executive career within the Aviation industry, could only serve to strengthen the Board's position as it continues to pursue expansion opportunities. After undertaking the requisite evaluation and pursuant to our Terms of Reference, I, as the Chairman of the Nomination Committee, reported our conclusions and recommendations to the Board which, as a whole, was ultimately responsible for approving the appointment (as is the case for all Board appointments). In undertaking Philipp's recruitment, the Nomination Committee used the appointment process outlined in the Corporate Governance Statement on pages 56 and 57 of this Annual Report and Accounts 2017.

Succession Planning

The Nomination Committee is also tasked with ensuring that appropriate succession plans are in place for both Directors, Executive and Non-Executive, and other Senior Executives of the Company. Accordingly, it must consider what skills and expertise may be required on the Board in the future in light of both the Group's strategy and any challenges and/or opportunities that

Nomination Committee Report continued

may be on the horizon. The Nomination Committee must ensure that the organisation's leadership needs are satisfied; the continued ability of the Group to compete effectively in the marketplace must be considered and addressed and the sustained growth and success of the Group maintained.

During 2017 the Nomination Committee evaluated its role as regards succession planning within the Group and noted that this was an area where there was direct crossover with the role and responsibilities of the Company's newly created Human Resources Committee. After careful consideration it was agreed that the Nomination Committee would continue to focus on succession planning from a Board and Executive Committee, comprising the next immediate level of Senior Management, perspective whilst the Human Resources Committee would consider wider succession planning within the Group.

Further information on the above matters can be found on, and is incorporated by reference into, this Nomination Committee Report on pages 54 to 57 of this Annual Report and Accounts 2017.

2017 and Beyond

In addition to the matters referenced above, the Nomination Committee also reviewed the current Board structure and composition, including the length of service and relevant skillsets of each Director, during 2017. Whilst it concluded that the Board composition was fit for purpose, a conclusion endorsed through the annual Board evaluation process, it was agreed that a further review would be undertaken at the appropriate time in 2018 to ensure Board composition was in alignment with any current or proposed Group strategic developments.

In 2018 the Nomination Committee will continue to monitor the leadership requirements of the business whilst recognising the importance and attendant benefits of diversity, including gender diversity, when considering any future Board appointments. As detailed above and in the Corporate Governance Statement, individuals are, however, nominated and appointed to the Board on the basis of merit and evaluation against objective criteria; no diversity quotas, gender-based or otherwise, have therefore been set or are targeted. Additionally and in accordance with our Terms of Reference, I will liaise with the Chairman of the Remuneration Committee in relation to the service contract and remuneration package to be offered to any proposed Executive Director or Managing Director of the Group.

On behalf of the Nomination Committee

David N.C. Garman

David Garman
Nomination Committee Chairman
12 March 2018

Audit Committee Report

Paul Baines
Audit Committee Chairman

Committee Members

Name	Position	Attendance
P Baines[1]	Chairman	3/3
S Maizey	Member	3/3
D Garman	Member	3/3
G Eaton	Member	3/3
P Joeinig[2]	Member	2/2

Notes:
1. Paul Baines became Audit Committee Chairman on 12 May 2017 when Silla Maizey stepped down to become Human Resources Committee Chairman.
2. Philipp Joeinig was appointed to the Audit Committee upon his appointment as a Non-Executive Director on 1 June 2017.

Having assumed the position of Audit Committee Chairman following the Company's Annual General Meeting in May 2017, I am delighted to introduce the Audit Committee Report for the financial year ending 31 December 2017. The Committee was previously chaired by Silla Maizey to whom I would like to extend my sincere thanks for her contribution during her Chairmanship; Silla stepped down as Chairman to assume the role of Chairman of the Company's newly created Human Resources Committee.

The Audit Committee comprises five Non-Executive Directors: Silla Maizey, a qualified accountant, David Garman, Geoff Eaton, a chartered accountant, Philipp Joeinig, who became a member of the Audit Committee upon his appointment as a Non-Executive Director on 1 June 2017, and myself. The Board of the Company has determined that the current composition of the Audit Committee meets with the requirements of the UK Corporate Governance Code (April 2016) (the "**Code**"), possessing competence relevant to the markets in which the Company operates, although, in line with good practice, membership will continue to be reviewed annually.

The Audit Committee has adopted Terms of Reference which are displayed on the Company's website; these are modelled on the relevant provisions of the Code. It has delegated authority from the Board for ensuring adherence to the Code provisions and related guidance.

Audit Committee Meetings

The Audit Committee met, as scheduled, three times during 2017, with meeting attendance set out on this page and in the table on page 55 of this Annual Report and Accounts 2017. At the start of each financial year discussions take place between the Audit Committee Chairman and the Group Company Secretary, during which a formal agenda structure is agreed for the scheduled meetings and consideration is given to the inclusion of non-standard agenda items. Following each meeting, which would generally take place prior to a Board meeting, the Audit Committee Chairman provides a comprehensive report to the Board as a whole, detailing the Committee's findings, activities and recommendations.

It is standard practice for the external auditor, Ernst & Young LLP ("**EY**"), the Group's Chairman and the Chief Financial Officer to be given notice of all Audit Committee meetings and invited to attend and speak where considered appropriate. The Chief Financial Officer, Group Company Secretary and certain senior Financial Executives, together with representatives from the internal and external audit teams, attended each of the Audit Committee meetings held in 2017.

The Audit Committee receives presentations from members of the Senior Management team on a variety of issues and updates are provided on progress against the internal control plan throughout the year. The Audit Committee may also meet with the external auditor in the absence of Executive Directors, affording the opportunity for any items of concern to be raised with or by the external auditor.

The Audit Committee may take such independent professional advice as it considers necessary to properly effect its role.

Audit Committee Report continued

Role and Responsibilities

The primary role of the Audit Committee is to assist the Board in the execution of its oversight responsibilities including, but not limited to, the effective oversight and monitoring of the integrity of the Group's financial reporting to ensure the interests of the Company's shareholders are safeguarded at all times; it must assess the quality of the internal and external audit processes and ensure that the risks which our business faces, including financial, operational and compliance-related, are effectively managed at all times. In doing so, regard must be had to both the evolving nature of our operations and any changes on the legislative landscape.

Other responsibilities include:

- reviewing both the Company's financial results announcements and financial statements and the significant judgments and estimates contained within them;
- advising the Board on whether the annual report and accounts of the Company are, when taken as a whole, fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
- ensuring compliance with applicable accounting standards and reviewing the appropriateness of the accounting policies and practices that are in place;
- reviewing the Company's internal financial controls and the effectiveness of the internal audit function;
- reviewing the Group's policies and practices concerning business conduct, ethics and integrity, fraud and whistleblowing (although it was decided at the August Audit Committee that whistleblowing would thereafter fall under the remit of the Human Resources Committee); and
- overseeing all aspects of the relationship with the external auditor, including its appointment, the audit process, the supply of non-audit services and monitoring its effectiveness and independence.

The Audit Committee has the power to request any information it considers necessary to discharge its duties, including from Executive Directors. It believes that the information which it received from the relevant members of Management was both sufficiently comprehensive and accurate to enable it to fulfil its role and discharge the responsibilities incumbent upon it during 2017.

Main Activities

- The Audit Committee formally reviewed the Company's Annual Report and Accounts 2017 (including the Statements on Internal Control and the work of the Audit Committee) and associated business review together with the Interim Results announcement made by the Company, which aspect of its work focused on key accounting policies, estimates and judgments, including significant or unusual transactions or changes to these. In doing so the Audit Committee reviewed the reports of Management and the controls assurance (internal audit) provider and took into account the views of the external auditor. It concluded that a recommendation should be made to the Board that the required disclosure set out in the Directors' Responsibilities Statement could be made, as set out on page 90 of this Annual Report and Accounts 2017.
- The Audit Committee reviewed the work of Management which involved assessing key risks at Group and Divisional level according to their significance, likelihood and impact, in addition to the Group's exposure to and management of these risks. The Risk Register and evaluation of risk constantly evolve and the Audit Committee was satisfied that Management had appropriate risk management strategies and systems in place to address the Group's key business risks, such strategies and systems having been in place throughout 2017 and up to the date of approval of this document.
- The Audit Committee oversaw and monitored the integration of the ASIG business into the Group's assurance model and Risk framework.
- The Audit Committee considered the Group's General Data Protection Regulation (GDPR) readiness and its cyber security framework in response to the continuing risk of cyber security breaches.
- The Audit Committee reviewed and adopted an updated internal audit plan and considered the objectivity and independence of the external auditor.

In addition to its standard agenda, the Audit Committee welcomed presentations on key areas of focus. The Committee found these extremely beneficial and wishes such ad hoc presentations to continue in 2018, allowing it to be kept updated on key risk areas of safety, security and financial control.

FRC Corporate Reporting Review

During 2017 the Financial Reporting Council ("**FRC**") contacted the Company following on from its earlier statement that it would conduct a thematic review of companies' reporting relating to pension disclosures, with the objective of improving the quality of such disclosures and identifying good practice. I am pleased to report that in correspondence with us the FRC cited the future benefit payments disclosure, contained on page 109 of our Annual Report and Accounts 2016 in a graphic format, as an example of better practice in respect of disclosures regarding the maturity profile of the defined benefit obligation and referenced it within its paper entitled "Corporate Reporting Thematic Review: Pension Disclosure" (November 2017). We are requested to note that the FRC review covered only the specific disclosures relating to this thematic review and provides no assurance that our Annual Report and Accounts 2016 was correct in all material respects.

The Audit Committee also noted the additional items which the FRC raised in relation to pension scheme risk and the valuation of investments. After careful consideration of these matters we have included the defined benefit pension scheme risk, impact and mitigating factors within the Principal Risks and Uncertainties detailed on pages 34 to 37 of this Annual Report and Accounts 2017 and disclose the valuation approach for those pension assets that do not have a quoted market price in Note 23 to the Accounts.

Annual Report and Accounts 2017

The primary areas of judgement considered by the Audit Committee in relation to the financial statements contained within this Annual Report and Accounts 2017 and how these were addressed are as follows:

Goodwill and intangible assets

The review for impairment of goodwill and intangible assets is based on cash flow projections to calculate a value in use for each area based on forecasts prepared by each Division. The achievability of the forecast is a risk, given inherent uncertainty within any financial projection.

The Audit Committee evaluated a paper from Management on the results of the impairment assessment which included the assessment relating to the acquisition of the ASIG business on 1 February 2017. Key assumptions were reviewed and challenged by the Committee, including discount rates, business risk factors and cash flow projections based on the most recent budget and strategic reviews. Actions and factors likely to influence levels of impairment were reviewed with alternative scenarios requested for further analysis. Taking into account the documentation presented, the Audit Committee was satisfied with the approach and judgements taken.

Pension accounting

The assumptions made in the calculation for scheme liabilities and asset returns are underpinned by a range of judgements. Assumptions were prepared by external actuaries, reviewed by Management and approved by the external auditor, ensuring they were aligned to prevailing economic indicators. Changes in assumptions and the completeness of disclosures were then summarised for the Audit Committee. The increase in mortality rates was specifically noted. The Audit Committee was satisfied with the disclosures made and judgements taken.

Exceptional and other items

The Audit Committee considered the appropriateness of the measure of underlying profits and the classification and transparency of items separately disclosed as exceptional and other items. It was satisfied that the measure of underlying profits provided a reasonable view of the underlying performance of the Group and that there was transparent disclosure of items shown separately as exceptional and other items.

Revenue recognition

The Audit Committee has reviewed the work completed by Management in the year to ensure that the Group has appropriately recognised revenues in accordance with its contractual obligations during the period, paying attention to expected returns. The Audit Committee was satisfied with the approach and judgements taken.

Audit Committee Report continued

Taxation
Provisioning for current and deferred tax liabilities and assets requires the exercising of judgement. The Audit Committee addressed this through the receipt of a range of reports from Management and a separate Tax Committee exists to deal with such requests (see further details on pages 32 and 33 of this Annual Report and Accounts 2017). The Audit Committee challenged the appropriateness of Management's views, including the extent to which these were supported by appropriate external advice. In particular, the Committee challenged Management's calculations of provision for items under discussion with authorities and of the deferred tax assets and liabilities.

Provisions
The Audit Committee has challenged the assumptions used by Management in determining whether provisions are appropriate in relation to onerous property leases and ongoing litigation matters.

External Group Audit
EY is the appointed external auditor to the Group, having been appointed in 2009 following a full tender process. Having re-assumed the position of lead audit partner during 2016, Annie Graham continued as lead audit partner during the Interim Results review in the summer of 2017 but then rotated to Kevin Weston for the year end audit. There are no contractual obligations in place which restrict the Audit Committee in its choice of external audit provider.

The Audit Committee complies with the Code and the FRC Guidance on Audit Committees (April 2016) with regard to the external audit tendering timetable and, in relation to mandatory auditor rotation and tendering, the provisions of The Statutory Auditors and Third Country Auditors Regulations 2016 and the Competition and Markets Authority's Statutory Audit Services Order 2014. In accordance with this guidance and legislation, the Committee has determined that the audit for the financial year ending 31 December 2019 should be tendered, EY having been appointed in 2009 and serving its 10 year tenure in 2018.

It is extremely important that the Audit Committee is of the opinion that its appointed external auditor has conducted a full and effective audit and, accordingly, the performance of the external auditor is subject to annual review. In undertaking this review the Chairman of the Audit Committee seeks the opinion of fellow Committee members, the Chief Financial Officer and also the views of certain members of Senior Management who have been exposed to/had input into the audit process. The Audit Committee reviews and approves both the Company's audit plan and the findings of the external auditor in respect of its audit of the Company's financial statements, carefully monitoring these to ensure completeness, accuracy, clarity and integrity.

In seeking to ensure the external auditor's effectiveness, the Audit Committee keeps its objectivity and independence under review together with the nature and extent of the non-audit services which it provides. Historically these non-audit services have included dealing with the Group's tax affairs as it was considered that its knowledge of the Group's business processes and controls made it best-placed to undertake this work in the most cost-effective manner. However, a change in the applicable EU regulations regarding non-audit fees has meant that from 1 January 2017 there is a restriction on the work that an external auditor can perform for a listed company in relation to non-audit services.

During 2016 the Company undertook a detailed review of the audit and tax services provided to it which resulted in PricewaterhouseCoopers LLP being appointed as the Group's tax advisers from 1 January 2017. In 2017, as in previous years, the non-audit work undertaken on the Group's behalf by EY was not handled by the EY external audit partner but rather managed separately from the audit workstream.

For 2017 EY were paid audit-related fees in the sum of £1.3m, whilst non-audit fees amounted to £0.7m. The Audit Committee regularly reviews the remuneration received by the external auditor for audit services, audit-related services and non-audit work to ensure a balance of objectivity, value for money and compliance with statutory duties is maintained. In 2017 the outcome of these reviews was that performance of the relevant non-audit work (excluding the tax services referenced above) by EY continued to be the most cost-effective way of conducting the Group's businesses and that no conflict of interest existed between the provision of such audit and non-audit services. Additionally, such reviews allowed the Audit Committee to confirm that the Company continued to receive an efficient, effective and independent audit service from EY. In reaching this conclusion, the Committee considered the outcome of the FRC's review of EY's audit of the 2016 Accounts, in particular around the reporting of partners on component audits with long association and safeguards put in place, articulation of the risk around pension liabilities and detailed testing of pension assets.

All non-audit work is put out to tender and non-audit fees paid to EY are approved by the Chief Financial Officer, who reports any significant payments or awards of work to the Audit Committee. The Audit Committee believes that the level and scope of these non-audit services do not impair the objectivity of the external auditor.

Following a review held at the conclusion of the 2017 audit, the Audit Committee was satisfied that EY continued to provide an effective audit and remained independent and objective.

Internal Control and Audit
In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014), the Company's Board of Directors has overall responsibility for the Group's systems of internal control, covering financial, operational and compliance, and risk management. Such systems are not designed to eliminate but rather to manage and mitigate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. These systems have been in place throughout 2017 and up to the date of approval of this Annual Report and Accounts 2017, although they do not apply to the Group's material joint ventures.

Whilst information on the Group's system of internal controls and risk management framework can be found on pages 32 and 33 of this Annual Report and Accounts 2017, the Audit Committee has delegated responsibility from the Board to review the effectiveness of these systems.

The Audit Committee has reviewed the Group's internal control structure and approved the scope of work and fees for external controls assurance providers. The Committee continues to believe that due to the complexity of the Group's business and the international nature of the business, the internal audit function is best served by using both internal staff and external providers. Accordingly, the function is delivered by a combination of operational teams, Deloitte LLP, with its widespread global presence, and, as required, other external operational providers. Whilst internal staff and other external advisers generally undertake operational branch and station audits, the work undertaken by the firm relates principally to financial controls.

The Audit Committee reviews findings from the internal audit programme (on financial and key non-financial risks), together with areas identified for improvement, and these are prioritised for action by Management. Follow-up reports from Management are considered by the Committee to ensure any weaknesses that have been identified are fully addressed and appropriate correctional measures implemented. Whilst no system of internal control can provide absolute assurance against material loss, the Group's systems are designed to provide the Directors with reasonable assurance that risks can be promptly identified and appropriate remedial action taken.

A standard accounting manual continues to be used by the Finance teams throughout the Group, ensuring that transactions and balances are recognised and measured in accordance with prescribed accounting policies and information is appropriately reviewed and reconciled as part of the reporting process. Additionally, a standard reporting tool is employed by all Group entities resulting in the consistent collation and presentation of financial information which in turn facilitates the production of the consolidated financial statements.

The Audit Committee has carefully considered and evaluated the effectiveness of the systems of internal control for the period from 1 January 2017 to the date of approval of this document and concluded that the Group has sound systems of risk management and internal controls in place.

On behalf of the Audit Committee

Paul Baines

Paul Baines
Audit Committee Chairman
12 March 2018

Human Resources Committee Report

Silla Maizey
Human Resources Committee Chairman

Committee Members

Name	Position	Attendance
S Maizey	Chairman	2/2
F Black	Member	2/2
J Geddes	Member	2/2
D Garman	Member	2/2
P Joeinig	Member	2/2
C Hall[1]	Member	2/2

Note:
1. Claire Hall sits on this Board Committee in her capacity as Group EVP People.

Welcome to the inaugural Report of the Human Resources ("**HR**") Committee, chaired by me, Silla Maizey, and comprising both Executive Directors (Forsyth Black and John Geddes) and Non-Executive Directors (David Garman and Philipp Joeinig), together with Claire Hall, Group EVP People. The Committee was constituted by the Board at the beginning of 2017 to recognise the importance of our People to our future success and to ensure we pursue best practice particularly in areas such as staff retention and succession planning; constitution of the Committee was considered the most appropriate and direct means by which to address these issues and ensure suitable Board visibility and input on those matters which affect our most highly valued resource.

Meetings and Purpose

Committee meeting attendance is set out both above and on page 55 of this Annual Report and Accounts 2017; as can be seen, the Committee assembled on two occasions in its first year. At the initial meeting it was agreed that the Committee would convene not less than three times a year and would link in with the Nomination Committee, as and when required.

Draft Terms of Reference for the Committee were also considered at this first meeting and, following a detailed discussion around the proposed key priorities of the Committee, agreed. The finalised Terms of Reference can be found on the Company's website and these set out the threefold purpose of the Committee, specifically:

- to assist the Board in fulfilling its obligations in respect of all HR matters;
- to ensure standardisation of HR structure, policies and process; and
- to review, monitor and make recommendations to Executive Management with regard to all HR matters.

Role and Responsibilities

The Committee is expected to satisfy itself that HR management activities across the Group are both effective and adequate and ensure that such activities are embedded across the network within a standardised framework. The consensus at the first Committee meeting was that primary areas of focus should be overall HR strategy and priorities, together with staff turnover and retention rates.

The role of the Committee with regard to training was also discussed and it was agreed that operational training would not fall within its remit but rather the Committee would review and monitor people development programmes and initiatives. Further, in light of discussions regarding employee engagement, the decision was taken to shift responsibility for overseeing the Group's whistleblowing policies and practices from the Audit Committee to the HR Committee. In 2017 presentations were made to the Committee on key topics such as the current employee training programme and framework and the HR systems and processes in place across our networks. These provided significant insight and reinforced the need for continuous improvement. Headline staff turnover figures were also a principal focus and discussed in conjunction with associated future reporting requirements.

I look forward to reporting to you next year on the challenges which we have faced during 2018 and the steps which have been taken to address these in striving to underline our commitment to retain, foster and develop our People.

On behalf of the Human Resources Committee

Silla Maizey
Human Resources Committee Chairman
12 March 2018

Remuneration Committee Report

Geoff Eaton
Remuneration Committee Chairman

Committee Members

Name	Position	Attendance
G Eaton	Chairman	2/2
S Maizey	Member	2/2
D Garman	Member	2/2
P Baines	Member	2/2

As the Chairman of the Remuneration Committee I am once again pleased to introduce the Company's Remuneration Report for the 2017 financial year.

In our Annual Report and Accounts 2016 we set out a new Remuneration Policy which was both appropriate to our size and our circumstances and introduced a number of best practice features. The Remuneration Committee was delighted that this Policy was approved at our last annual general meeting ("**AGM**"), with 99% of the votes cast on the relevant resolution in favour of the new Remuneration Policy.

Under this Remuneration Policy our incentive structure, including the annual bonus award and the Company's Long-Term Incentive Plan ("**LTIP**"), is simple and aligned with the interests of our shareholders.

A summary of our approach for incentive plans is as follows:

- Our incentive opportunity comprises a maximum bonus of 100% of salary and an LTIP award of up to 100% of salary.
- Annual bonus awards are awarded based on Group Underlying Profit before Tax (80%) and performance in Key Result Areas ("**KRAs**") (20%). 20% of any award is deferred in ordinary shares of the Company for three years ("**Deferred Shares**").
- LTIP awards align Executive remuneration with long-term value creation for our shareholders, strengthened through an additional 12 month holding period from 2018 onwards; maximum vesting under the LTIP requires out-performance of median total shareholder return ("**TSR**") of the FTSE SmallCap index by 30% over three years.

Given the changes made to our Remuneration Policy last year, and the strong level of support received from our shareholders in this regard, we are not proposing any further amendments to our Remuneration Policy for 2018. We will continue to operate under the Remuneration Policy approved at the 2017 AGM and, as disclosed last year, this includes not making any further awards under the Company's Share Matching Plan ("**SMP**") from 2018.

The Remuneration Report details the remuneration which the Company's Executive and Non-Executive Directors received in 2017 and contains a summary of the current Remuneration Policy.

Remuneration Outcomes for 2017

2017 was a successful year for the Company both from a financial and strategic perspective. This success is reflected in the Remuneration Committee's assessment of the 2017 outcomes set out in this Report.

The Remuneration Committee has reviewed base salary levels for Executive Directors and determined that with effect from 1 May 2018 each of Forsyth Black, Giles Wilson and John Geddes will receive a salary increase of 2%. This is in line with the salary increases for other Group employees.

For the 2017 annual bonus plan, the Remuneration Committee reviewed Group Underlying Profit before Tax performance and the performance of Forsyth Black, Giles Wilson and John Geddes against KRAs. Details of financial targets, 2017 performance and individual awards are disclosed on pages 75 and 76 of this Annual Report and Accounts 2017, including improved disclosure of performance in respect of the KRA element.

Remuneration Committee Report continued

The 2015 LTIP awards were assessed by the Remuneration Committee based on performance to 31 December 2017. The Remuneration Committee determined that the relevant performance measures were met and awards will vest as appropriate following the Company's final results announcement on 13 March 2018. Further details are provided on pages 76 and 77 of this Annual Report and Accounts 2017.

In August 2017 share awards granted to Giles Wilson and John Geddes in August 2015, prior to their appointments to the Board of Directors, vested. Details of these awards are disclosed on page 80 of this Annual Report and Accounts 2017.

2018 AGM and Beyond

The Remuneration Committee continues to monitor governance developments and has noted the UK Government's proposed corporate governance reforms. As these proposals take shape and are finalised we will consider how they will impact our approach to Executive remuneration and disclosure.

The remainder of this Remuneration Committee Report comprises a summary of our current Remuneration Policy, approved at the 2017 AGM, and our Annual Report on Remuneration for 2017, which will be put to a shareholder vote at our 2018 AGM and in relation to which we look forward to receiving your views and support.

On behalf of the Remuneration Committee

Geoff Eaton

Geoff Eaton
Remuneration Committee Chairman
12 March 2018

Directors' Remuneration Policy

This section of the Remuneration Committee Report contains a summary of the Company's Remuneration Policy in respect of its Directors. As detailed above, the Remuneration Policy was approved by shareholders at the Company's AGM on 12 May 2017 and took effect immediately upon receipt of such approval.

The Company's Remuneration Policy is available on its website at: www.johnmenziesplc.com.

Directors' Remuneration: Principles

The Company's Remuneration Policy has been developed to ensure that the Company is well-placed to attract, retain and motivate Directors with the ability and experience necessary to run the Company successfully, whilst also aligning Executive remuneration with the financial returns of its shareholders.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
1 Basic salary Attract and retain high performing individuals, reflecting market value of role and Executive's skills and experience.	Normally reviewed annually. Salaries for 2018 will be: • F Black: £357,000 • G Wilson: £331,500 • J Geddes: £255,000 The Remuneration Committee takes into consideration a number of factors when setting salaries including (but not limited to): • the size and scope of an individual's responsibilities; • an individual's skills, experience and performance; • typical salary levels for comparable roles at appropriate comparator companies; • pay and conditions elsewhere in the Company; and • inflation in the relevant market.	There is no maximum opportunity. Salary increases will normally be in line with the average increase awarded in the wider employee population. Higher increases may be made in certain circumstances and at the Remuneration Committee's discretion. For example, this may include (but is not limited to): • increase in the scope and/or responsibility of an individual's role; • development of an individual within the role; • corporate events such as a significant acquisition or Group restructuring which impacts the scope of a role; and • where it is considered necessary for the retention of an Executive or to reflect significant changes in market practice.	None, although individual and Company performance are factors taken into account when setting salaries.

Remuneration Committee Report continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
2 Annual bonus Incentivise delivery of Group and individual objectives and enhance performance.	The annual bonus is paid in cash and shares, based on the Remuneration Committee's assessment of performance during the financial year in question.	Maximum annual award is 100% of salary.	All measures and targets are reviewed annually and set at the start of each financial year.
Bonus in Deferred Shares Encourage a longer-term focus which is aligned to shareholders and discourages inappropriate risk-taking.	20% of any award is paid in Deferred Shares with such shares having dividend entitlements. The Remuneration Committee may claw back bonus awards for a period of three years after the end of the relevant bonus year in the event of misstatement of accounts that materially increased the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated. The Remuneration Committee may alter the level of deferral at any time.		The measures will include relevant Group and/or Divisional financial measures and may include performance against KRAs or other strategic measures as appropriate. At least 70% of the bonus will be based on financial measures.
3 LTIP Incentivise value creation over the medium and long-term. To reward the execution of the Group's strategy. To encourage longer-term thinking and planning. To align the interests of shareholders and Directors.	Awards under the LTIP may be in the form of a conditional right to acquire shares or an option to acquire shares. Vesting of shares is dependent on the attainment of performance criteria over a period of at least three years. After vesting all shares must be held for a further 12 month period.	Maximum annual grant value is 100% of salary.	Performance criteria are reviewed and set at the start of each award period, using one or more of relative TSR, Group Earnings Per Share performance, Return on Capital Employed or any other Group financial and/or Divisional performance measures. No more than 25% of an award vests on the attainment of threshold target.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
4 Pension Provide market levels of pension provision.	Directors can participate in the Menzies Money Purchase Pension Scheme or cash equivalent. F Black and J Geddes participated in a defined benefit pension scheme until it closed to future accrual on 31 March 2017. The scheme closed to new entrants in 2003. The defined benefit pension plan is operated by the trustees of the Menzies Pension Fund. These arrangements were agreed prior to 27 June 2012.	Under the Menzies Money Purchase Pension Scheme Directors may receive a pension contribution of up to 20% of salary. The Remuneration Committee may determine that Executive Directors receive a cash supplement of up to 20% of salary in lieu of pension. The defined benefit pension scheme provided pension of up to two-thirds of pensionable earnings or the 'scheme earnings' cap if lower. Participating Directors received a payment of 20% of the difference between the cap and their current salary.	None.
5 Benefits Provide market levels of benefits provision.	Executive Directors receive benefits which typically may include, but are not limited to, private health insurance, life assurance, ill-health insurance protection and a company car allowance. Other benefits may be operated through salary sacrifice. The Remuneration Committee may introduce or remove benefits offered to individuals where it considers it appropriate to do so. Where Executive Directors are required to relocate, the Remuneration Committee may, if considered appropriate, offer additional relocation or expatriate benefits.	As the cost of providing other benefits, including health insurance and life assurance, may vary from year to year, it is not considered practical to define a maximum level for these or any other benefits. The level of any relocation benefits, allowances and expenses will depend on the specific circumstances. There is no overall maximum level of benefits.	None.
Company Sharesave Scheme Provide the Company's UK employees with an interest in the performance of its shares.	Accumulated savings may be used to exercise an option to acquire shares in the Company. The option price of such shares may be discounted by up to the HMRC-approved level (currently 20%).	Monthly contributions of up to the HMRC-approved limit over a three or five year period.	None.

Remuneration Committee Report continued

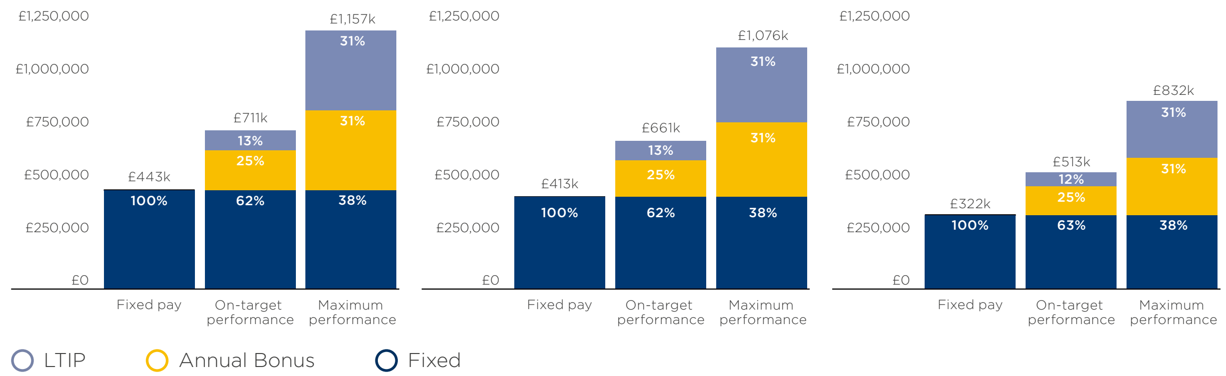
Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Shareholding guidelines Align the Executive Directors with the long-term interests of shareholders.	Shareholding guidelines for Executive Directors are 100% of salary (built up over time).		
Chairman and Non-Executive Directors' fees Attract Non-Executive Directors of sufficient skills and experience to fulfil the role.	The fees for Non-Executive Directors comprise a basic payment plus additional payments for being Chairman of a Committee, a Committee member or for being the Senior Independent Director. Differential fee levels may be paid for Non-Executive Directors depending on the skills, experience, nationality and responsibilities of an individual or additional time commitments for the role. The Chairman receives a fee for services to the Company. A portion of Chairman and Non-Executive Directors' fees may be delivered as shares in the Company. Non-Executive Directors' fees are reviewed periodically by the Board with reference to external benchmarking.		

Notes:
1. **Annual bonus**
Annual bonus performance measures have been chosen to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver the Group's KRAs. This balance allows the Remuneration Committee to effectively reward performance against the key elements of the Group's strategy.
Threshold and stretch targets are derived from a review of the historical and projected performance of the Group and its peers, together with an analysis of analysts' expectations.
2. **LTIP**
The ultimate goal of the Company is to provide long-term sustainable returns to shareholders. The performance measures are intended to align Executive remuneration with this goal. In particular (for 2018):
Relative TSR – Total shareholder return relative to a relevant peer group is currently considered to be the best measure of the Company's ultimate delivery of value to shareholders. The Remuneration Committee considers that this promotes alignment between Executive Director reward and shareholders' financial returns. Targets are set with reference to wider market practice and are positioned at a level which the Remuneration Committee considers represent stretching performance.
3. **Differences in remuneration policy for Directors and other employees**
Remuneration arrangements throughout the Group are based on the principle that reward should be set at competitive levels to support the delivery of the Group's strategy and also attract, retain and motivate individuals who have the necessary skills for each role. Pay differs for employees of different seniority and for those operating in different parts of the world. For example, in accordance with market practice and shareholder expectations, the remuneration arrangements for Executive Directors place a significant emphasis on long-term performance related pay compared to other employees. The Company also operates an HMRC-approved Sharesave Scheme, in which all employees (including Executive Directors) are eligible to participate and which aims to promote a sense of ownership amongst staff.

1. Illustrations of Remuneration Policy

The following charts illustrate the different elements of Executive Directors' remuneration under three different performance scenarios: 'Fixed pay', 'On-target performance' and 'Maximum performance'. The assumptions used are provided below the charts.

President & MD, Menzies Aviation | **Chief Financial Officer[1]** | **Corporate Affairs Director & Group Company Secretary**



Component	Fixed pay	On-target performance	Maximum performance
Base salary		Base salary for 2018	
Pension		Defined contribution/cash supplement value for 2018	
Benefits		Taxable value of annual benefits provided in 2017	
Annual bonus (cash and ordinary shares)	0% of salary	50% of salary	100% of salary
LTIP	0% vesting	25% vesting	100% vesting

Note:
1. Benefits exclude one-off relocation costs provided in 2017.

2. Consideration of Employee Conditions Elsewhere in the Group

The average base salary increase awarded across the workforce provides a key reference point when determining levels of increase for the Executive Directors to ensure that all arrangements remain reasonable.

The Group employs over 36,000 people in 268 locations globally and the Remuneration Committee therefore did not believe it practical or reasonable to consult employees on the Remuneration Policy for Executive Directors during 2017. The Remuneration Committee took into account employee conditions across the Group when determining the Remuneration Policy.

3. Consideration of Shareholder Views

The Remuneration Committee reviews shareholder feedback on Executive remuneration matters as well as developments in investor body guidelines, and has taken these into account in formulating Executive remuneration policies.

Remuneration Committee Report continued

Annual Report on Remuneration

Total Remuneration Received for the Year Ended 31 December 2017

The table below provides a single figure of remuneration for each member of the Board, broken down into each element of pay and compared to the previous year.

The table below and the subsequent sections 1 to 8 are subject to audit by the Company's auditor.

	Base salary/fee £000		Taxable benefits[1] £000		Annual bonus £000		Legacy awards £000		LTIP[6] £000		Total long-term incentives £000		Pension total £000		Total remuneration £000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Executive Directors																
F Black[2]	350	289	15	14	329	275	–	–	304	–	304	–	77	70	1,075	648
G Wilson	317	175	148	46	319	175	96	–	297	–	393	–	63	35	1,240	431
J Geddes[2]	250	27	16	2	245	26	96	–	234	–	330	–	80	9	921	64
Non-Executive Directors																
D Smurfit[3]	150	173	–	–	–	–	–	–	–	–	–	–	–	–	150	173
S Maizey	46	46	–	–	–	–	–	–	–	–	–	–	–	–	46	46
D Garman	49	49	–	–	–	–	–	–	–	–	–	–	–	–	49	49
G Eaton	46	46	–	–	–	–	–	–	–	–	–	–	–	–	46	46
P Baines	44	25	–	–	–	–	–	–	–	–	–	–	–	–	44	25
P Joeinig[4]	25	–	–	–	–	–	–	–	–	–	–	–	–	–	25	–
Former Directors																
D Jenkinson[5]	34	69	–	–	–	–	–	–	–	–	–	–	–	–	34	69

Notes:
1. Benefits offered to Executive Directors include a car allowance and health insurance. Details of the pension arrangements for each of the Directors are included on page 79 of this Annual Report and Accounts 2017. As noted in last year's Annual Report on Remuneration, the Company agreed to meet further expenditure during 2017 in relation to Giles Wilson's relocation costs following his appointment to the Board in 2016. These costs totalled £133,000 in 2017.
2. For Forsyth Black and John Geddes the pension figure above comprises the increase in value of the Menzies Pension Fund accrual from 1 January to 31 March 2017 (at which point the scheme was closed to future accrual) plus cash in lieu of pension contributions made from 1 April to 31 December 2017. Along with other similarly impacted employees, John Geddes received a payment of £33,783 in recognition of his consent to the closure to accrual of the Menzies Pension Fund which is also included in the pension total figure above. Further details are included at section 7 below.
3. As detailed in section 2, part of the Chairman's fee is made up of 20,000 ordinary shares of £0.25 each in the Company ("**Ordinary Shares**"). No Ordinary Shares have yet been issued in relation to the year ending 31 December 2017.
4. Relevant remuneration reflects the appointment date of Philipp Joeinig to the Board (1 June 2017).
5. Relevant remuneration reflects the resignation date of Dermot Jenkinson from the Board (31 October 2017).
6. The value of the 2015 LTIP award that will vest in March 2018 is based on the average share price for the three months to 31 December 2017.

1. Base Salary

Salaries of Executive Directors and other Company staff are reviewed annually. The current salaries for Executive Directors are set out below and are usually updated annually on 1 May. It has been determined that the salaries of each of Forsyth Black, Giles Wilson and John Geddes will be increased by 2% on 1 May 2018.

When determining the remuneration of Executive Directors, the Remuneration Committee takes account of pay and employment conditions in the Group as a whole.

Name	2016 salary	2017 salary	2018 salary	Percentage increase for 2018
F Black	£300,000	**£350,000**	£357,000	2%
G Wilson	£300,000	**£325,000**	£331,500	2%
J Geddes	£250,000	**£250,000**	£255,000	2%

2. Non-Executive Directors' and Chairman's Fees

For 2017 the fees policy for Non-Executive Directors was as follows:

	Fee level
Basic payment	£40,000
Committee Chairmanship	£6,000
Committee membership	£2,500
Senior Independent Director	£6,000

Directors receive one fee either for Committee Chairmanship or Committee membership, irrespective of the number of Committees on which they serve. The fees paid to Non-Executive Directors in respect of each of the positions detailed above are reviewed annually. They were reviewed in March 2018 and it was agreed that no changes would be made at this time.

The Chairman's fees comprise a cash fee of £150,000 per annum plus 20,000 Ordinary Shares per annum. The portion of fees delivered as Ordinary Shares will also apply in 2018. This fee arrangement was approved by shareholders at the Company's general meeting convened on 11 October 2016.

3. Annual Bonus Scheme

The Executive Directors participate in a discretionary bonus scheme which is subject to the achievement of challenging Group, Divisional and personal targets designed to encourage excellent performance. Targets are set by the Remuneration Committee at the start of the relevant performance period and taking into account market expectations at that time. Bonus payments are non-pensionable.

2017 bonus awards

For 2017 bonuses were calculated as follows:

Financial performance

Measure	Weighting (percentage of salary)	Threshold target	Stretch target	Performance achieved	Overall achieved (percentage of salary)
Group Underlying Profit before Tax[1]	80%	£61.5m	£66.2m	£67.9m	80%

KRA performance

The KRAs for the Executive Directors were set at the start of the year and covered a number of key operational and strategic areas including:

- a reduction in the number of reported health and safety incidents;
- the successful integration of the ASIG business into our operations following its acquisition at the beginning of 2017 and increasing the size and scope of support functions as a result of the expansion in our networks;
- enabling the Group to restructure from a strategic and pension liability perspective;
- widening the Company's shareholder base; and
- increasing Group cash flow through focusing on improved Aviation Division debtor management.

The KRA outcomes for 2017 are as follows:

Name	Weighting (maximum percentage of salary)	KRA performance achieved (percentage of salary)
F Black	20%	14%
G Wilson	20%	18%
J Geddes	20%	18%

Remuneration Committee Report continued

Annual bonus awards

Name	Financial performance achieved (percentage of salary)	KRA performance achieved (percentage of salary)	Overall achieved (percentage of salary)	Cash value of award £000[2]
F Black	80%	14%	94%	£329
G Wilson	80%	18%	98%	£319
J Geddes	80%	18%	98%	£245

Notes:
1. Calculated in accordance with the Bonus Scheme Rules.
2. 20% of all bonus awards are deferred in the Company's Ordinary Shares for a three year period to December 2020.

Operation of policy for 2018 bonus awards

The performance measures used for 2018 annual bonus awards will be the same as those detailed above. Performance targets will be disclosed retrospectively where considered appropriate as the Board considers that the disclosure of prospective targets is not appropriate due to their commercial sensitivity.

4. SMP

Under the SMP, Executive Directors were invited to invest up to 40% of any annual cash bonus into the SMP. No SMP awards were granted during 2017. As detailed in the Annual Report and Accounts 2016, the SMP has been discontinued from 1 January 2018 and no further awards will be granted to Executive Directors.

2016 SMP awards

As detailed in the Annual Report and Accounts 2016, the performance measures and targets for awards made under the SMP in March 2016 were set as follows:

Measurement	Threshold target (25% vesting)	Stretch target (100% vesting)
EPS v CPI	EPS growth equals CPI growth	EPS growth exceeds CPI growth by 3%

Outstanding SMP awards are as follows:

Name	31 December 2016	Granted during 2017	Market price of award	Vested during 2017	Lapsed during 2017	Gain/(loss) £'000	31 December 2017	Performance period
F Black	2,385[1]	–	478.0p	–	–	–	**2,385**	1/1/2016-31/12/2018
G Wilson	2,757[1]	–	478.0p	–	–	–	**2,757**	1/1/2016-31/12/2018

Note:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.

5. LTIP

Under the Company's LTIP all awards are subject to a three year performance period with appropriate targets.

The Company's LTIP targets are designed to align the interests of the Executive Directors with those of the Company's shareholders and promote a long-term interest in the success of the Group. As detailed in the Annual Report and Accounts 2016, the Company has sought to further strengthen alignment with shareholders through an additional 12 month retention period for all new LTIP awards, with this holding period normally continuing post an Executive leaving employment.

The performance criteria are set at threshold and stretch level. At threshold, 25% of an LTIP award will vest, increasing on a straight-line basis to 100% for stretch or greater achievement.

2015 LTIP awards

LTIP awards made to Executive Directors during the financial year ending 31 December 2015 are detailed below. As the performance criteria has been achieved, these awards will vest as appropriate following the Company's final results announcement on 13 March 2018.

Criteria	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)	Attainment	Overall vesting (percentage of maximum)	Performance period
John Menzies plc EBITDA	50%	£79.2m	£87.5m	100%	100%	1/1/2015-31/12/2017
TSR v FTSE250	50%	TSR = FTSE250 median	TSR > FTSE250 median + 30%	100%		

Name	Shares granted/vesting[1]
F Black	44,098
G Wilson	43,227
J Geddes	33,928

Note:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.

2017 LTIP awards

As disclosed in the Annual Report and Accounts 2016, performance measures and targets for the LTIP awards made in March 2017 were as follows:

Group performance criteria	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)
TSR v FTSE SmallCap	100%	TSR = FTSE SmallCap median	TSR > FTSE SmallCap + 30%

Details of the LTIP awards made in March 2017 are shown in the table headed 'Scheme Interests Awarded During 2017' on page 78 of this Annual Report and Accounts 2017.

Operation of policy for 2018 LTIP awards

The performance measures for LTIP awards made in 2018 will be as follows:

Group performance criteria	Weighting	Threshold target (25% vesting)	Stretch target (100% vesting)
TSR v FTSE SmallCap	100%	TSR = FTSE SmallCap median	TSR > FTSE SmallCap + 30%

Remuneration Committee Report continued

Outstanding LTIP awards as at 31 December 2017 are shown below:

Name	31 December 2016	Granted during 2017	Market price of award	Vested during 2017	Lapsed during 2017	Gain/(loss) £'000	31 December 2017	Performance period
F Black	44,098[1]	–	385p	–	–	–	**44,098[2]**	1/1/2015-31/12/2017
	76,736[1]	–	443p	–	–	–	**76,736**	1/1/2016-31/12/2018
	–	60,449	579p	–	–	–	**60,449**	1/1/2017-31/12/2019
G Wilson	43,227[1]	–	385p	–	–	–	**43,227[2]**	1/1/2015-31/12/2017
	37,610[1]	–	443p	–	–	–	**37,610**	1/1/2016-31/12/2018
	–	51,813	579p	–	–	–	**51,813**	1/1/2017-31/12/2019
J Geddes	33,928[1]	–	385p	–	–	–	**33,928[2]**	1/1/2015-31/12/2017
	33,571[1]	–	443p	–	–	–	**33,571**	1/1/2016-31/12/2018
	–	43,178	579p	–	–		**43,178**	1/1/2017-31/12/2019

Notes:
1. These award figures have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. The awards will vest as appropriate following the Company's final results announcement on 13 March 2018.

6. Scheme Interests Awarded During 2017

Name	Type of interest	Basis on which award made	Maximum number of shares awarded	Share price on date of grant of option	Face value of shares	Percentage vesting at threshold	Performance period end
F Black	LTIP[1] – conditional shares	100% of salary	60,449	£5.79	£350,000	25%	31/12/2019
	Save As You Earn[2]	n/a	634	£5.67	£3,595	n/a	31/11/2020
G Wilson	LTIP[1] – conditional shares	100% of salary	51,813	£5.79	£300,000	25%	31/12/2019
	Save As You Earn[2]	n/a	634	£5.67	£3,595	n/a	31/11/2020
J Geddes	LTIP[1] – conditional shares	100% of salary	43,178	£5.79	£250,000	25%	31/12/2019
	Save As You Earn[2]	n/a	317	£5.67	£1,797	n/a	31/11/2020

Notes:
1. The exercise price for Ordinary Shares granted under the LTIP is zero.
2. The exercise price for Ordinary Shares granted under the Save As You Earn Scheme is the Ordinary Share price at the date of grant discounted by 20%.

LTIP awards are subject to performance conditions and the value delivered on vesting depends on performance against pre-defined targets over the relevant period and changes in the Company's Ordinary Share price between grant and vesting.

The face value of awards is calculated using the Ordinary Share price on the date of grant. The face value of the Save As You Earn award is calculated using the share option price under the Sharesave Scheme in the relevant year.

7. Total Pension Entitlements

Scheme benefits/cash payments in lieu of pension contributions

Both Forsyth Black and John Geddes were members of the Menzies Pension Fund, accruing 1/60th and 1/30th respectively of their pensionable salaries (subject to the scheme earnings cap) for each year of pensionable service. On 31 March 2017 the Menzies Pension Fund was closed to future accrual. From 1 April 2017 they now each receive a cash payment equal to 20% of their salary in lieu of pension contribution. Along with other similarly impacted employees, John Geddes received a payment in recognition of his consent to the closure to accrual of the Menzies Pension Fund. He received £33,783 in April 2017 and, provided that he remains in employment with the Company, will receive a second payment of £20,270 in April 2020.

Giles Wilson receives a cash payment equivalent to 20% of his salary in lieu of pension contribution.

Unfunded arrangement

The total of the transfer values for unfunded pension entitlements, held on the Company's Balance Sheet at 31 December 2017 for former Directors, totalled £1,938,196 (2016: £1,829,597), from which annual pensions of £61,179 were paid to former Directors (2016: £59,438).

8. Directors' Shareholdings and Share Interests

Executive Directors are expected to build a shareholding in the Company of 100% of salary under the Directors' Remuneration Policy approved by shareholders at the Company's AGM in May 2017. The Remuneration Committee believes that shareholding guidelines of 100% of salary, coupled with the additional 12 month holding period required for all future LTIP awards, creates a strong, but proportionate, alignment with shareholders. Executive Directors are given a period of time to build their shareholding in the Company.

The following table shows Directors' shareholdings and share interests as at 31 December 2017 together with share options exercised during 2017:

Name	Number of shares owned (including Deferred Shares)	Unvested conditional shares subject to performance conditions (LTIP and BCIP/SMP awards)	Unvested options over shares subject to savings contracts (SAYE)	Vested options exercised during 2017	Unvested conditional shares not subject to performance conditions
D Smurfit	425,000	–	–	–	–
F Black	35,342	211,964	1,338	0	0
G Wilson	27,800	147,165	1,338	0	0
J Geddes	17,886	125,192	2,090	0	0
S Maizey	2,035	–	–	–	–
D Garman	13,571	–	–	–	–
G Eaton	4,077	–	–	–	–
P Baines	3,000	–	–	–	–
P Joeinig	20,000	–	–	–	–

Remuneration Committee Report continued

Legacy awards

The share interests table above includes the following outstanding awards for current Executive Directors (granted prior to their appointment to the Board) as at 31 December 2017:

Name	31 December 2016	Initial value of award	Vested during 2017	Lapsed during 2017	Gain/(loss) £000	31 December 2017	Retention period
F Black[1]	28,296	£124,250	–	–	–	**28,296**	1/7/2015 30/6/2018[2]
G Wilson[1]	13,780	£75,000	13,780	–	–	**-**	19/8/2014 19/8/2017[3]
	14,515	£63,740	–	–	–	**14,515**	1/7/2015 30/6/2018[2]
J Geddes[1]	13,780	£75,000	13,780	–	–	**-**	19/8/2014 19/8/2017[3]
	14,515	£63,740	–	–	–	**14,515**	1/7/2015 30/6/2018[2]

Notes:
1. The award figures detailed for each of the Executive Directors have been adjusted to reflect the Rights Issue undertaken by the Company in 2016.
2. Unvested conditional shares subject to performance conditions (EPS growth of 3% per annum).
3. Conditional shares subject to continued employment.

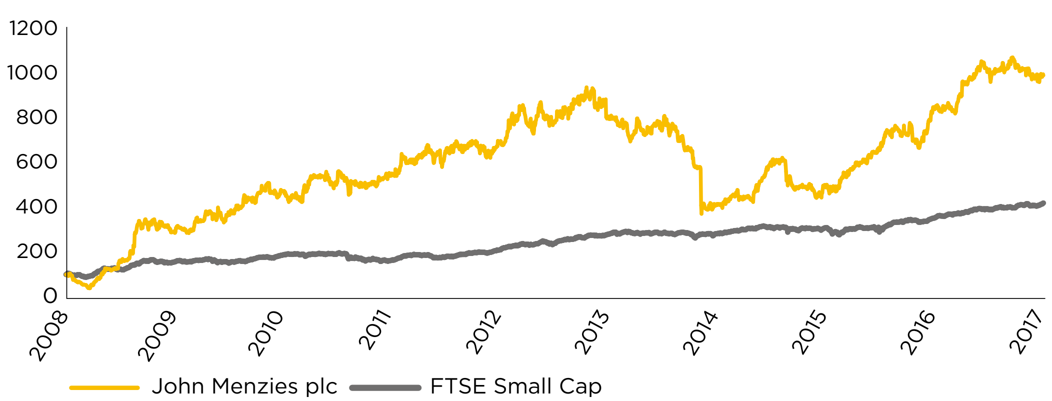
9. Clawback and Malus

Awards granted to Executive Directors during 2017 are subject to the following clawback and malus provisions:

- Cash and Deferred Shares may be clawed back for a period of three years after the end of the relevant bonus year in the event of misstatement of accounts that materially increased the amount of bonus paid or misconduct by an employee which has or could have led to their employment being summarily terminated.
- Matching deferred bonus awards and LTIP awards may be clawed back after vesting where the Company is required to restate its accounts to a material extent; where the Board becomes aware of any material wrongdoing on the part of an employee which would have entitled the Company to terminate the employee's employment; or where there is any other reason the Remuneration Committee includes in the relevant terms at the time an award is made. The clawback period will be set by the Remuneration Committee.

10. Nine Year Historical TSR Performance and Executive Director Pay

The following graph compares the Company's TSR for the nine years to December 2017 with the equivalent performance of the FTSE SmallCap Index.



The Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (the "**Regulations**") require companies to show the total remuneration of any director who undertakes the role of Chief Executive Officer ("**CEO**") in each of the last nine years. As the Company's Executive structure did not include the role of CEO prior to October 2014 and after 13 January 2016, the following table shows the required figures for the highest paid Director in each year:

Highest paid Director in the year	2009: Dollman	2010: Dollman	2011: Dollman	2012: Dollman	2013: Smyth	January-October 2014: Smyth	October-December 2014: Stafford	2015: Stafford	1/1/16-13/1/16: Stafford	13/1/16-31/12/16: Black	2017: Wilson
Role	Group Finance Director	Group Finance Director	Group Finance Director	Group Finance Director	MD, Menzies Aviation	MD, Menzies Aviation	CEO	CEO	CEO	President & MD, Menzies Aviation	Chief Financial Officer
Total remuneration (£000)	757	750	3,578	1,735	1,203	725	167	493	41[1]	648	1,240
Annual bonus award (percentage of maximum)	75%	74%	74%	63%	46%	–	45%	–	–	95%	98%
Long-term incentive vesting (percentage of maximum)	22%	40%	100%	100%	84%	–	n/a	–	–	0%	100%

Note:
1. A payment of £65,200 (gross) was also made to Jeremy Stafford for loss of office together with a contribution of £4,000 plus VAT towards legal fees incurred in connection with his loss of office.

11. Percentage Change in Remuneration

The Regulations also require companies to show the annual change in base salary, benefits and annual bonus for any director undertaking the role of CEO during the financial year in question, in this case regarded as being Forsyth Black, together with the average change for all Group employees. Whilst the table below details this information, given the geographical spread of the Group's operations and taking into account the different rates of wage inflation that exist, the average for Group employees for comparison with Forsyth Black is based on a like for like change in basic pay per full time equivalent in the UK employee base.

	Base salary (percentage change)	Benefits (percentage change)	Annual bonus (percentage change)
CEO	17%	5%	20%
Average for Group employees	5%	0%	15%

12. Relative Importance of Spend on Pay

The total Group spend on employee remuneration during 2017 and the immediately preceding financial year is reflected in the following table:

	2016	**2017**
Group employee remuneration costs	£582.1m	**£857.5m**
Dividend distribution	£10.6m	**£15.9m**
Share buyback	£Nil	**£Nil**

Remuneration Committee Report continued

13. Service Contracts and Letters of Appointment

As detailed in the Annual Report and Accounts 2016, the Remuneration Committee determined that, having due regard to prevailing market conditions and practice among companies of comparable size, a 12 month notice period was more appropriate for both the Executive and the Company. Accordingly, following shareholder approval of the Directors' Remuneration Policy at the Company's AGM in May 2017, new service contracts were put in place with the Executive Directors, the details of which are as follows:

Name	Date of service contract	Notice period
F Black	June 2017	Terminable on 52 weeks' notice
G Wilson	June 2017	Terminable on 52 weeks' notice
J Geddes	June 2017	Terminable on 52 weeks' notice

All Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office.

The Chairman and each of the Non-Executive Directors have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and these Directors can be removed in accordance with the Company's Articles of Association. The Chairman and all Non-Executive Directors are subject to annual re-election.

14. The Remuneration Committee

During 2017 the following Non-Executive Directors were members of the Remuneration Committee:

Name	Position	Attendance
G Eaton	Chairman	2/2
S Maizey	Member	2/2
D Garman	Member	2/2
P Baines	Member	2/2

Advisers to the Remuneration Committee

During 2017 the Remuneration Committee was advised by remuneration consultants from Deloitte LLP. Total fees in relation to Executive remuneration consulting were £23,050. Deloitte also provided advice in relation to controls assurance.

Deloitte was appointed by the Remuneration Committee and, as a member of the Remuneration Consultants' Group, voluntarily operates under the Code of Conduct in relation to Executive Remuneration Consulting in the United Kingdom. Each year the Chairman of the Remuneration Committee agrees the protocols under which Deloitte will provide advice to support independence. The Remuneration Committee is satisfied that the advice which it has received from Deloitte has been objective and independent.

In addition, legal advice was sought by the Remuneration Committee from the Company's solicitors, Maclay Murray & Spens LLP (now Dentons UKMEA LLP following their merger on 30 October 2017), where considered appropriate.

The Group's Chief Financial Officer and Group Company Secretary also provided internal support and guidance to the Remuneration Committee where appropriate. They are, however, specifically excluded from any matters concerning the details of their own remuneration. Members of the Remuneration Committee have no personal financial interest (other than as shareholders) in the matters to be decided by the Remuneration Committee and no day-to-day involvement in the running of the business of the Group.

15. Remuneration Resolutions

The table below provides the results of the Directors' Remuneration Report 2016 resolution and the Directors' Remuneration Policy 2017 resolution, both of which were tabled at the Company's AGM in May 2017:

Resolution	Votes for	Percentage	Votes against	Percentage	Votes total	Votes withheld
Directors' Remuneration Report 2016	47,724,478	98.42%	765,561	1.58%	48,490,039	9,582
Directors' Remuneration Policy 2017	47,997,165	98.99%	491,118	1.01%	48,488,283	11,338

An advisory resolution to approve this Remuneration Report will be tabled at the forthcoming AGM.

The Chairman of the Remuneration Committee will be available to answer questions from the Company's shareholders on this Remuneration Report.

16. External Appointments

The Board recognises the benefits to the individual and to the Company of involvement by Executive Directors as Non-Executive Directors on the boards of other companies. Prior to accepting an invitation to become a Non-Executive Director of another company, an Executive Director must receive approval from the Chairman of the Company. This approval will not be denied where the Chairman is confident that the appointment in question will not interfere with the Director's ability to perform their duties for the Company or provide a conflict of interest. Executive Directors are entitled to retain any fees received under such appointments.

On behalf of the Remuneration Committee

Geoff Eaton
Remuneration Committee Chairman
12 March 2018

Directors' Report
For the year ended 31 December 2017

The following sections provide information on those items which are required to be included in this Directors' Report, pursuant to the requirements of the Companies Act 2006 (the "**2006 Act**"), the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) (the "**2013 Regulations**") and the Financial Conduct Authority's (the "**FCA**") Listing Rules. Some items are incorporated by reference into this Directors' Report, as detailed below.

Directors
All of the Directors who served during 2017 are shown in the table below. Biographies of those Directors who were in office at the end of 2017 are included on pages 52 and 53 of this Annual Report and Accounts 2017 and all of these Directors held office throughout 2017 with the exception of Philipp Joeinig who was appointed to the Board on 1 June 2017. Dermot Jenkinson resigned from the Board on 31 October 2017 having been appointed since 1985, initially as an Executive Director and since 1999 as a Non-Executive Director.

Current and former Directors' interests in the Company's ordinary shares of £0.25 each (the "**Ordinary Shares**") were as follows:

Name	Position	Appointed/resigned		31 December 2017	31 December 2016
D Smurfit	Chairman	Appointed Jul. 2016	Beneficial	**425,000**	425,000
F Black	President & Managing Director, Menzies Aviation	Appointed Jan. 2016	Beneficial	**35,342**	10,829
G Wilson	Chief Financial Officer	Appointed Jun. 2016	Beneficial	**27,800**	24,406
J Geddes	Director of Corporate Affairs & Group Company Secretary	Appointed Nov. 2016	Beneficial	**17,886**	15,880
S Maizey	Non-Executive Director	Appointed May 2014	Beneficial	**2,035**	2,035
D Garman	Non-Executive Director	Appointed Jun. 2015	Beneficial	**13,571**	13,571
G Eaton	Non-Executive Director	Appointed Jun. 2015	Beneficial	**4,077**	4,000
P Baines	Non-Executive Director	Appointed Jun. 2016	Beneficial	**3,000**	–
P Joeinig	Non-Executive Director	Appointed Jun. 2017	Beneficial	**20,000**	n/a
Former Directors:					
D Jenkinson	Non-Executive Director	Resigned Oct. 2017	Beneficial	**n/a**	748,857
			Non-beneficial	**n/a**	314,000

There have been no subsequent changes to these interests as at 12 March 2018.

No Director had any material interest in any contract, other than a service contract as set out on page 82 of this Annual Report and Accounts 2017.

Substantial Shareholdings
In addition to the Directors' interests set out above, the Company had been notified of the following interests of 3% or more in its Ordinary Shares as at 31 December 2017 and 12 March 2018:

Name	Number of Ordinary Shares as at 12 March 2018	Percentage of issued Ordinary Shares as at 12 March 2018	Number of Ordinary Shares as at 31 December 2017	Percentage of issued Ordinary Shares as at 31 December 2017
Kabouter Management LLC	10,512,735	12.55	**10,394,697**	12.42
Shareholder Value Management AG	8,526,805	10.18	**8,526,805**	10.19
Lakestreet Capital Partners AG	6,094,478	7.28	**6,094,478**	7.28
D.C. Thomson & Company Limited	5,013,058	5.99	**5,013,058**	5.99
Sterling Strategic Value Fund S.A.	4,285,000	5.12	**3,698,632**	4.42
Premier Asset Management	3,715,017	4.44	**3,804,649**	4.55

Directors' and Officers' Liability Insurance
In accordance with the 2006 Act and the Company's Articles of Association (the "**Articles**"), the Company has arranged qualifying third party indemnities against financial exposure which the Directors may incur in the course of their professional duties for the Company. Equivalent qualifying third party indemnities were, and remain, in force for the benefit of those Directors who stood down from the Board during 2017. In addition to these indemnities, the Company places Directors' and Officers' liability insurance cover for each Director.

Dividends
The Directors recommend the payment of a final dividend of 14.5p per Ordinary Share (2016: 13.1p), payable on 2 July 2018 to shareholders on the Company's Register of Members as at the close of business on 25 May 2018. The shares will be quoted as ex-dividend on 24 May 2018. This final dividend, together with the interim dividend of 6.0p per Ordinary Share (2016: 5.4p) paid on 17 November 2017, makes a total dividend of 20.5p per Ordinary Share for the 2017 financial year.

Political Donations
In accordance with its policy, the Group did not give any money for political purposes nor did it make any donations to political organisations or independent candidates or incur any political expenditure during 2017.

Financial Risk Management Objectives and Policies
The financial risk management objectives and policies, including the policy for hedging each major type of forecasted transaction for which hedge accounting is used, are detailed in Note 17 to the Accounts contained in this Annual Report and Accounts 2017, which information is incorporated by reference into this Directors' Report.

Exposure to Risk
The risk exposure of the Group, including the exposure to price risk, credit risk, liquidity risk and cash flow risk, is included in Note 17 to the Accounts contained in this Annual Report and Accounts 2017, which information is incorporated by reference into this Directors' Report.

Financial Instruments
Details of the use of financial instruments and financial risk management are included in Note 17 to the Accounts contained in this Annual Report and Accounts 2017, which details are incorporated by reference into this Directors' Report.

Employee Involvement
Details of how the Company involves its employees in its business are contained in the Strategic Report section of this Annual Report and Accounts 2017 (pages 1 to 48), which details are incorporated by reference into this Directors' Report.

Post Balance Sheet Events
There have been no important financial events affecting the Company (or any subsidiaries included in its consolidation) since the end of 2017.

Outlook
An indication of the likely future developments in the business of the Company (and its subsidiaries) is included in the Strategic Report section of this Annual Report and Accounts 2017 (pages 1 to 48), which details are incorporated by reference into this Directors' Report.

Research
The Company is not actively involved in research activities.

Geographical Spread
The Company operates in 36 countries worldwide and details of this geographical spread can be found on pages 14 and 24 of this Annual Report and Accounts 2017, which details are incorporated by reference into this Directors' Report.

Directors' Report continued

Employment Policies

Policies regarding the hiring, continuing employment and training, career development and promotion opportunities for all employees both in the UK and worldwide, together with reports on employee involvement and representation, are contained in the Responsible Business section of this Annual Report and Accounts 2017 (pages 38 to 48), which details are incorporated by reference into this Directors' Report.

At the end of 2017 the split of male to female employees in the Group was:

Employee group	Male	Female
Directors	8	1
Decision-makers	318	117
All employees	25,832	10,373

Full and fair consideration is given to all applications for employment; Group policies dictate that during the recruitment process all individuals are treated equitably, including those with disabilities. Where employees become disabled whilst employed by the Group we would seek to ensure that their employment could continue or alternative employment arranged whenever reasonable and practicable to do so, subject to any necessary training taking place and making reasonable adjustments where necessary. All employees, irrespective of whether they have a physical or mental disability, are given the same opportunities within the Group in terms of training, career development and promotion; our policies and procedures for recruitment, training, promotion and reward promote equality of opportunity, regardless of background and personal circumstances.

Policy and Practice on Payment of Creditors

The Group does not operate a standard code in respect of payments to suppliers. Each operating business is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms provided that the supplier has performed in accordance with all relevant terms and conditions. At the end of 2017 the amount owed to trade creditors by the Group was equivalent to 37.6 days (2016: 33.9 days) of purchases from suppliers.

Audit Information

So far as the Directors in office at the date of signing of this Directors' Report are aware, having made the requisite enquiries, there is no relevant audit information in terms of which the Company's auditor is unaware and each Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. Resolutions to re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Board to set its remuneration will be proposed at the Company's forthcoming annual general meeting ("**AGM**").

Share Capital and Structure

The Company has two classes of shares: the Ordinary Shares of £0.25 each and preference shares of £1.00 each (the "**Preference Shares**"). As at 31 December 2017 the Company had an issued share capital comprising 1,394,587 Preference Shares and 83,955,951 Ordinary Shares. Of these 83,955,951 Ordinary Shares, 257,523 were held as treasury shares. During 2017 the Company did not purchase any Ordinary Shares to be held in Treasury.

During 2017 the Company did not purchase any of its own shares for cancellation.

No shares in the capital of the Company can be allotted at a discount nor can they be allotted except as paid up both in regard to nominal amount and premium to the minimum extent permitted by the 2006 Act.

Articles of Association

Transfer of shares

There are no restrictions on the transfer of shares in the Company other than as contained in the Articles. Subject to the Articles, the Admission and Disclosure Standards of the London Stock Exchange and any requirements of the FCA, the Directors may refuse to register a transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the Company's shares.

Voting rights

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on the resolutions to be considered at the Company's forthcoming AGM are specified in the Notes to the Notice of AGM. Every ordinary shareholder present in person or by proxy at a general meeting of the Company shall, on a show of hands, have one vote unless, in the case of the latter, they have been appointed by more than one shareholder and have received instructions to vote both in favour of and against the same resolution in which case they will have one vote against that resolution and one vote for. On a poll, every shareholder of the Company present in person or by proxy at a general meeting of the Company shall have one vote for every share which they hold and, if the holders of the Preference Shares have the right to vote on any resolution, each such holder shall have one vote for every Preference Share which they hold.

The holders of the Preference Shares shall have no right to receive notice of or attend or vote at any general meeting of the Company unless either:

(i) at the date of the notice convening the meeting the dividend payable on such Preference Shares or a part thereof is six months or more in arrears; or

(ii) the business of the meeting includes the consideration of a resolution for reducing the capital of or winding-up the Company or for altering the objects of the Company as stated in its Articles or for the sale of the undertaking of the Company or any substantial part thereof or any resolution altering or abrogating any of the special rights or privileges attaching to the Preference Shares, in which circumstances the holders of the Preference Shares shall have the right to vote on any such resolution.

The Company is not aware of any arrangement by which, with the Company's co-operation, financial rights carried by its shares are held by persons other than the holders of its Ordinary Shares or Preference Shares. The Company is not aware of any agreement between holders of its shares which may result in restrictions on the transfer of its shares or on voting rights attaching thereto.

Allotment and Issue of Shares

The Directors are, by shareholder resolution passed at the 2017 AGM, authorised to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, up to an aggregate nominal amount of £13,941,418 of which any amount in excess of £6,970,709 may only be applied to fully pre-emptive rights issues. Such authority and power will expire at the Company's forthcoming AGM unless previously revoked, varied or renewed. It is proposed that such authority and power be renewed by shareholder resolution at this AGM but without prejudice to the exercise of any such authority and power prior to the date of such resolution. Accordingly, shareholders will be asked to grant an authority to allot relevant securities: (i) up to a nominal amount of £6,988,085; and (ii) up to a nominal amount of £13,976,170 (after deducting from such limit any relevant securities allotted under (i)), in connection with an offer of a rights issue, such authority to apply until the conclusion of the AGM to be held in 2019 or, if earlier, close of business on 30 June 2019.

Directors' Report continued

Purchase of Own Shares

The Company is, by shareholder resolution passed at the 2017 AGM, authorised to purchase up to 8,364,852 of its Ordinary Shares at a maximum price which is the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for such Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company will be carried out),

and at a minimum price of £0.25 per Ordinary Share.

The Company is also, by shareholder resolution passed at the 2017 AGM, authorised to purchase up to 1,394,587 of its Preference Shares at a maximum price which is the higher of:

(i) an amount equal to 110% of the average of the middle market quotations for such Preference Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and

(ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venues where the market purchases by the Company will be carried out),

and at a minimum price of £1.00 per Preference Share.

These authorities will expire at the Company's forthcoming AGM when it is proposed that they be renewed but without prejudice to the exercise of any such authorities prior to the date of such resolutions being put to the Company's shareholders.

Disapplication of Pre-Emption Rights and Notice of General Meetings

In response to shareholder feedback and noting the repeated opposition in past years of more than 20% of the shareholder votes cast in respect of proposed resolutions to: (i) disapply pre-emption rights upon the allotment of new shares; and (ii) convene general meetings, other than annual general meetings, on short notice of 14 days, the Directors have decided not to propose such resolutions, which have been in accordance with Investment Association principles and market practice, at the forthcoming AGM.

Directors

Appointment of Directors

Directors may be appointed by the Company by an ordinary resolution of its shareholders. The Board may appoint a Director either to fill a vacancy or as an additional Director and any Director so appointed shall hold office only until the next AGM of the Company following such appointment and shall then be eligible for re-appointment. If not re-appointed at such AGM, such a Director will vacate office at its conclusion except where a resolution is passed to appoint someone in their place (other than with effect from a time later than the conclusion of the AGM) or a resolution for their re-appointment is put to the AGM and lost (in either which case the retirement takes effect from the passing of the relevant resolution).

An appropriate induction is provided by the Company to all new Directors and ongoing training is supplied as and when it may be required, with documentation on the Company and its activities distributed to Directors on a regular basis. A Director is not required to hold shares in the capital of the Company.

Retirement of Directors

In accordance with best practice principles, all Directors shall retire at each AGM of the Company.

Directors' powers

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, whether relating to the management of its business or otherwise, subject to any restrictions contained in the Articles which detail the specific powers of the Directors. Copies of the Articles may be obtained from the Group Company Secretary or from the Company's website at www.johnmenziesplc.com.

The Articles can only be amended by a special resolution of the Company's shareholders in general meeting.

Significant Agreements – Change of Control

The Group's operating businesses have agreements in place with suppliers and customers, some of which contain change of control clauses giving rights to these suppliers and customers on a takeover bid for the Company. A change of control of the Company following a takeover bid may cause a number of other agreements to which the Company or any of its subsidiaries are a party, such as banking arrangements, property leases and licence agreements, to take effect, alter or terminate. Additionally, the Directors' service agreements and employee share plans would be similarly affected upon a change of control.

Emissions Reporting

The information required to be included in this Directors' Report pursuant to the 2013 Regulations in respect of greenhouse gas emissions is included in the Responsible Business section of this Annual Report and Accounts 2017 on pages 45 to 47, which information is incorporated by reference into this Directors' Report.

Annual General Meeting

Notice of the Company's forthcoming AGM is contained at the end of this document.

Approved and issued by the Board of Directors.

On behalf of the Board of Directors

John Geddes
Company Secretary & Director of Corporate Affairs
12 March 2018

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Company's Annual Report, Remuneration Report and its financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company. The Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors believe that the Annual Report and Accounts 2017, when taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the Company's website (www.johnmenziesplc.com). Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Statement Pursuant to the Disclosure Guidance and Transparency Rules

Each of the Directors confirms that to the best of their knowledge and belief:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole; and
- the Strategic Report contained in the Annual Report and Accounts 2017 includes a fair review of the development and performance of the business and the position of the Group as a whole, together with a description of the principal risks and uncertainties that they face.

Independent Auditor's Report to the Members of John Menzies plc

Opinion

In our opinion:

- John Menzies plc's Group financial statements and parent company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of John Menzies plc, which comprise:

Group	Parent Company
Consolidated Balance Sheet as at 31 December 2017	Balance Sheet as at 31 December 2017
Consolidated Income Statement for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Comprehensive Income for the year then ended	Cash Flow Statement for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 28 to the financial statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	
Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of Our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of John Menzies plc continued

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which ISAs (UK) requires us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 34 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 34 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 31 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 31 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of Our Audit Approach

Key audit matters	• ASIG acquisition accounting including identification and valuation of acquisition intangibles and fair value adjustments. • Valuation of pension liabilities and impact of closure to future accrual. • Assessment of the carrying value of Distribution goodwill and indefinite life intangibles. • Risk of misstatement due to management override, fraud and error specifically around revenue recognition.
Audit scope	• We performed an audit of the complete financial information of five components and audit procedures on specific balances for a further 25 components. • The components where we performed full or specific audit procedures accounted for 84% of adjusted profit before tax, 84% of revenue and 80% of total assets.
Materiality	• Overall Group materiality of £2.6m which represents 5% of adjusted profit before tax.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
ASIG acquisition accounting including identification and valuation of acquisition intangibles and fair value adjustments *Refer to the Audit Committee Report (page 61); Accounting policies (page 108); and Note 25 of the Consolidated Financial Statements (page 155).* On 1 February 2017 the Group completed its acquisition of the ASIG operations from BBA Aviation plc for total consideration of £166.0m. The significant risk arises because of the level of judgement required by management in determining the fair value of net assets required of £88.4m (which includes the identification and measurement of acquisition intangible assets of £38.4m).	We have read the Stock Purchase Agreement entered into by John Menzies plc in relation to the acquisition of ASIG Holdings Limited and ASIG Holdings Corporation from BBA Aviation plc and in our audit of the accounting of the acquisitions we considered whether the appropriate accounting treatment had been applied. We agreed the consideration paid to the Stock Purchase Agreement and lawyers fund transfer agreement. We have obtained an understanding of management's processes in place to identify fair value adjustments and have vouched a sample of fair value adjustments to corroborative evidence to support the fair value adjustments assessed by management. We challenged the assumptions and methodologies used by management to derive the fair value of intangible assets. We used our valuation specialists to assist us in considering the approach taken by management and in assessing key assumptions (e.g. historical client attrition rates and synergies). We obtained corroborative evidence for the explanations provided by management (e.g. comparing key assumptions to market data, underlying accounting records, past performance of the acquired business, and the Group's forecast supporting the acquisition). We also performed sensitivity analysis to determine the impact of changes in the key assumptions (e.g. discount rate and longevity of acquired client relationships), both individually and in aggregate. We assessed the adequacy of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the primary audit team.	We have concluded that the ASIG acquisition accounting, including the identification of acquisition intangibles and fair value adjustments is materially correct and appropriately disclosed in line with IFRS 3 Business Combinations.

Independent Auditor's Report to the Members of John Menzies plc continued

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Valuation of pension liabilities and impact of closure to future accrual *Refer to the Audit Committee Report (page 61); Accounting policies (page 108); and Note 23 of the Consolidated Financial Statements (page 144).* The Group makes provision for the net pension deficit of its defined benefit pension scheme. During the year, the scheme was closed to future accrual and was subsequently sectionalised, resulting in a specific allocation of the net deficit to a Distribution subsidiary, Menzies Distribution Limited. The significant risk relates to the potential misstatement of the pension liability (£49.5m) due to the significant judgements being exercised by management in determining the appropriate underlying actuarial assumptions both at the date of closure to future accrual and at the year end. The actuarial assumptions at the date of closure to future accrual determine the quantum of curtailment loss (£2.7m).	We have obtained an understanding and made an assessment of the key controls and processes in place to determine the actuarial assumptions. We considered the competency and objectivity of management's expert. We have tested to ensure that the data used by the actuaries was accurate. Our actuarial specialists evaluated the methodology applied to calculate the pension liabilities as well as the appropriateness of the underlying actuarial assumptions, both at the date of closure to future accrual and at the year end. We have assessed the adequacy of disclosures within the financial statements following the Financial Reporting Council's thematic review. All audit work in relation to this key audit matter was undertaken by the primary audit team.	We have concluded that the pension liability is materially correct and that management's judgements in relation to underlying actuarial assumptions were appropriate. We have concluded that the curtailment loss is materially correct and that management's judgements in relation to underlying actuarial assumptions at the date of closure to future accrual were appropriate.

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Assessment of the carrying value of Distribution goodwill and indefinite life intangibles *Refer to the Audit Committee Report (page 61); Accounting policies (page 108); and Note 11 of the Consolidated Financial Statements (page 126).* The significant risk arises because of the amount of goodwill (£15.5m) and indefinite life assets (£12.9m) relative to net assets and the level of management judgement required in estimating future cash flows and the appropriate growth and discount rates, especially in relation to the Distribution operations given the number of Distribution contracts requiring renewal from 2019.	We have obtained an understanding and evaluated the key controls and processes in place over management's impairment review. We have tested the integrity of the valuation models. We have assessed the key assumptions used by management being future cash flows, growth and discount rates and evaluated the reasonableness using our valuation specialists. We obtained an understanding and evaluated the impact of the ongoing publisher negotiation process on the cash flows used in the value in use calculations. We have assessed management's sensitivity analysis showing the impact of a reasonably possible change in impairment assumptions. We have assessed the adequacy of disclosures within the financial statements. All audit work in relation to this key audit matter was undertaken by the primary audit team.	We concur with management that it remains appropriate for the Distribution contracts to be considered to have indefinite lives. We have concluded that the goodwill and intangible assets with indefinite life balances are appropriately valued. We concur with management's assessment that there is no impairment in the Distribution goodwill.

Independent Auditor's Report to the Members of John Menzies plc continued

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Risk of misstatement due to management override, fraud and error specifically around revenue recognition *Refer to the Audit Committee Report (page 61); Accounting policies (page 108); and Note 2 of the Consolidated Financial Statements (page 118).* There is a risk that the financial statements as a whole are not free from material misstatement due to the risk of management override of controls whether caused by fraud or error. Revenue recognition is a particular area of focus for our audit in considering possible areas of management bias and fraud. We recognise that sales arrangements for the Group are generally straightforward, requiring minimal judgement to be exercised. Accordingly, we focus on the application of contractual rates for new and amended contracts within the Aviation business, recognising the ongoing contract churn in this area (specifically around new contracts, their formal agreement and revision to terms on existing contracts). For the Distribution business, management use judgement to estimate the returns liability and associated asset in respect of returns of newspapers and magazines.	We have obtained an understanding of the key controls and processes in place over revenue recognition. At full scope components we employed data analytic techniques to correlate sales through to debtors and cash receipts. For all in scope locations we performed detailed testing of a sample of sales transactions to ensure that revenue had been appropriately recognised in line with the underlying contractual terms. We specifically focused on the revenue recognised on Aviation contracts. For Distribution, we reviewed the estimate of return liability and corresponding asset, based on actual returns during January 2018 and margin percentage at the date of sale. We have tested the impact of management's adjustment to restate the returns liability and associated asset as disclosed in Note 28 of the Consolidated Financial Statements. We have assessed the effectiveness of management override controls through inspection of supporting information for non-routine manual journal entries focused on individually unusual and material revenue journals. We performed full and specific scope audit procedures over this risk area in 30 locations, which covered 84% of the risk amount.	We have concluded that revenue recognised in the year is materially correct on the basis of procedures performed both at Group and by component audit teams.

Scope of Our Audit

	Components		Percentage of profit before tax[1]		Percentage of revenue		Percentage of total assets	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Full scope	**5**	4	**81**	90	**60**	65	**52**	36
Specific scope	**25**	31	**53**	41	**24**	24	**28**	44
	30	35	**134**	131	**84**	89	**80**	80
Parent and consolidation adjustments			**(50)**	(55)	**–**	–	**–**	–
Overall coverage			**84**	76	**84**	89	**80**	80

Note:
1. Percentage of profit before tax is calculated against the adjusted profit before tax measure used to calculate materiality.

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 119 reporting components of the Group, we selected 30 components covering entities within the United Kingdom, the United States of America, Australia, Spain, the Czech Republic, South Africa, Panama, the Dominican Republic and in Macau, China which represent the principal business units within the Group.

Of the 30 components selected, we performed an audit of the complete financial information of five components (full scope components), which were selected based on their size or risk characteristics. For the remaining 25 components (specific scope components), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of accounts tested for the Group.

Of the remaining 89 components that together represent 16% of the Group's adjusted profit before tax, none is individually greater than 5% of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the financial statements.

Changes from the prior year
One component has been brought into full scope and three as specific following the ASIG acquisition. One component has been removed from specific scope and two components have been downgraded from specific scope to specified procedures.

Involvement with component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the five full scope components, audit procedures were performed on four of these directly by the primary audit team. For the 25 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement that we, as the primary audit team, needed to have to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The audit work on the UK and North America full scope reporting units was performed directly by the primary audit team covering four of the five full scope locations. The primary audit team interacted regularly with all component teams through emails and teleconferencing where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the financial statements.

Independent Auditor's Report to the Members of John Menzies plc continued

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

We determined materiality for the Group to be £2.6m (2016: £2.0m), which is 5% (2016: 5%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the appropriate measure for determining the materiality based on the focus of the user of the financial statements.

We determined materiality for the Company to be £1.7m (2016: £1.7m), which is 1% (2016: 1%) of equity. We believe that equity provides us with the appropriate measure for determining the materiality based on the focus of the user of the financial statements.

During the course of our audit, we reassessed initial materiality and have deemed this still to be appropriate at the year end.

Performance materiality

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2016: 75%) of our planning materiality, namely £1.9m (2016: £1.5m). We have set performance materiality at this percentage due to our understanding of the perspective of the users of the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.3m to £1.1m (2016: £0.3m to £1.1m).

Reporting threshold

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2016: £0.1m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report, including the five year review and shareholder information set out on pages 160 to 187, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 90 – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on page 61 – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee is materially inconsistent with our knowledge obtained in the audit; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 50 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of John Menzies plc continued

Matters on Which We Are Required to Report by Exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view in accordance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

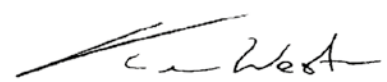
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant include IATA regulations, UK Department for Transport, applicable health & safety and data protection regulations, competition and consumer protection laws, labour regulations and employee rights laws.
- We understood how the Company is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included a review of board minutes to identify any non-compliance with laws and regulations, and enquiries of Senior Management.
- We identified any instances of non-compliance with laws and regulations at Group components through the direction and oversight of our component audit teams. We discussed any potential findings with Senior Management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the Audit Committee, we were appointed as auditor and signed an engagement letter on 20 December 2017. We were appointed by the Company at the Annual General Meeting in 2009 to audit the financial statements for the year ending 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is nine years, covering the years ending 31 December 2009 to 31 December 2017.
- The non-audit services prohibited by the Financial Reporting Council's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.
- The audit opinion is consistent with the additional Report to the Audit Committee.



Kevin Weston (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
12 March 2018

Notes:
1. The maintenance and integrity of the John Menzies plc website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Income Statement
For the year ended 31 December 2017 (year ended 31 December 2016)

	Notes	Before exceptional and other items £m	Exceptional and other items £m	2017 £m	Before exceptional and other items Restated (Note 28) £m	Exceptional and other items £m	2016 Restated (Note 28) £m
Revenue	2	**2,460.5**	**–**	**2,460.5**	1,982.5	–	1,982.5
Net operating costs	3	**(2,391.5)**	**(37.6)**	**(2,429.1)**	(1,936.1)	(26.3)	(1,962.4)
Operating profit before joint ventures and associates		**69.0**	**(37.6)**	**31.4**	46.4	(26.3)	20.1
Share of post-tax results of joint ventures and associates		**8.9**	**(1.1)**	**7.8**	8.8	(1.3)	7.5
Operating profit	2	**77.9**	**(38.7)**	**39.2**	55.2	(27.6)	27.6
Analysed as:							
Underlying operating profit[i]		**77.9**	**–**	**77.9**	55.2	–	55.2
Non-recurring items – transaction related and integration	5	**–**	**(21.7)**	**(21.7)**	–	(8.8)	(8.8)
Non-recurring item – pension related	5	**–**	**(5.4)**	**(5.4)**	–	–	–
Non-recurring item – impairment charges	5	**–**	**–**	**–**	–	(9.6)	(9.6)
Contract amortisation	5	**–**	**(10.5)**	**(10.5)**	–	(7.9)	(7.9)
Share of joint ventures and associates interest		**–**	**0.9**	**0.9**	–	0.6	0.6
Share of joint ventures and associates tax		**–**	**(2.0)**	**(2.0)**	–	(1.9)	(1.9)
Operating profit		**77.9**	**(38.7)**	**39.2**	55.2	(27.6)	27.6
Finance income	7	**1.2**	**–**	**1.2**	0.7	–	0.7
Finance charges excluding retirement benefit obligation interest	7	**(10.2)**	**(1.7)**	**(11.9)**	(4.6)	(2.3)	(6.9)
Retirement benefit obligation interest	23	**(1.8)**	**–**	**(1.8)**	(1.6)	–	(1.6)
Profit before taxation		**67.1**	**(40.4)**	**26.7**	49.7	(29.9)	19.8
Taxation	8	**(20.0)**	**5.3**	**(14.7)**	(15.9)	4.1	(11.8)
Profit for the year		**47.1**	**(35.1)**	**12.0**	33.8	(25.8)	8.0
Attributable to equity shareholders		**47.7**	**(35.1)**	**12.6**	34.3	(25.8)	8.5
Attributable to non-controlling interests		**(0.6)**	**–**	**(0.6)**	(0.5)	–	(0.5)
		47.1	**(35.1)**	**12.0**	33.8	(25.8)	8.0
Earnings per ordinary share							
Basic	10	**57.2p**	**(42.1)p**	**15.1p**	47.8p	(35.9)p	11.8p
Diluted	10	**57.0p**	**(41.9)p**	**15.1p**	47.7p	(35.9)p	11.8p

Note:
(i) Underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation and the Group's share of interest and tax on joint ventures and associates to provide an appreciation of the impact of those items on operating profit.

Group Statement of Comprehensive Income
For the year ended 31 December 2017 (year ended 31 December 2016)

	Notes	2017 £m	2016 £m
Profit for the year		**12.0**	8.0
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit retirement obligation	23	**15.7**	(36.8)
Actuarial loss on unfunded retirement benefit obligation		**(0.1)**	(0.3)
Income tax effect on defined benefit retirement obligation		**(2.7)**	7.4
Impact of UK rate change on deferred tax on retirement benefit obligation		**–**	(1.6)
Items that may be reclassified subsequently to profit or loss:			
Movement on cash flow hedges	17	**0.5**	–
Income tax effect on cash flow hedges		**(0.1)**	–
Movement on net investment hedges	17	**2.0**	(15.2)
Income tax effect on net investment hedges		**(0.4)**	3.0
Exchange (loss)/gain on translation of foreign currency net assets		**(3.7)**	33.1
Income tax effect of exchange loss/gain on foreign currency net assets		**0.7**	(4.0)
Other comprehensive income/(loss) for the year		**11.9**	(14.4)
Total comprehensive income/(loss) for the year		**23.9**	(6.4)
Attributable to equity shareholders		**24.5**	(5.8)
Attributable to non-controlling interests		**(0.6)**	(0.6)
		23.9	(6.4)

Group and Company Balance Sheets

As at 31 December 2017 (31 December 2016)

		Group		Company	
	Notes	**2017 £m**	2016 Restated (Note 28) £m	**2017 £m**	2016 £m
Assets					
Non-current assets					
Intangible assets	11	**203.7**	104.0	**–**	–
Property, plant and equipment	12	**155.6**	127.3	**23.4**	23.9
Investments in joint ventures and associates	13	**27.7**	30.9	**–**	–
Investments in subsidiaries	13	**–**	–	**306.1**	292.6
Deferred tax assets	14	**24.2**	24.2	**5.8**	10.1
Derivative financial assets	17	**0.9**	–	**0.9**	–
		412.1	286.4	**336.2**	326.6
Current assets					
Inventories		**20.9**	16.0	**–**	–
Trade and other receivables	15	**350.2**	224.8	**504.5**	345.4
Derivative financial assets	17	**1.1**	0.4	**1.1**	0.4
Cash and cash equivalents		**72.8**	38.9	**5.0**	1.0
		445.0	280.1	**510.6**	346.8
Liabilities					
Current liabilities					
Borrowings	17	**(5.1)**	(39.0)	**(3.3)**	(38.5)
Derivative financial liabilities	17	**(0.5)**	(6.1)	**(0.5)**	(6.1)
Trade and other payables	16	**(344.8)**	(234.2)	**(338.0)**	(317.1)
Current income tax liabilities		**(13.5)**	(11.3)	**–**	–
Provisions	22	**(15.8)**	(4.2)	**(2.7)**	–
		(379.7)	(294.8)	**(344.5)**	(361.7)
Net current assets/(liabilities)		**65.3**	(14.7)	**166.1**	(14.9)
Total assets less current liabilities		**477.4**	271.7	**502.3**	311.7
Non-current liabilities					
Borrowings	17	**(283.6)**	(64.7)	**(283.6)**	(64.7)
Other payables	16	**(4.6)**	(4.0)	**–**	(4.9)
Deferred tax liabilities	14	**(4.7)**	(2.8)	**–**	–
Provisions	22	**(2.5)**	(4.0)	**–**	(1.1)
Retirement benefit obligation	23	**(49.5)**	(71.0)	**(42.5)**	(71.0)
		(344.9)	(146.5)	**(326.1)**	(141.7)
Net assets		**132.5**	125.2	**176.2**	170.0
Shareholders' equity					
Ordinary shares	24	**21.0**	20.9	**21.0**	20.9
Share premium account		**21.9**	20.5	**21.9**	20.5
Treasury shares		**(1.3)**	(1.6)	**(1.3)**	(1.6)
Other reserves		**(5.6)**	(4.6)	**(0.5)**	(0.9)
Merger relief reserve		**67.3**	67.3	**67.3**	67.3
Retained earnings(i)		**11.4**	0.1	**46.2**	42.2
Capital redemption reserve		**21.6**	21.6	**21.6**	21.6
Total shareholders' equity		**136.3**	124.2	**176.2**	170.0
Non-controlling interest in equity		**(3.8)**	1.0	**–**	–
Equity		**132.5**	125.2	**176.2**	170.0

Note:
(i) The Company's loss after tax for the year was £0.1m (2016: profit £46.5m).

The accounts were approved by the Board of Directors on 12 March 2018 and signed on its behalf by:

Dr. Dermot F. Smurfit
Chairman

Giles Wilson
Chief Financial Officer

Company No. SC34970

Group and Company Statements of Changes in Equity

As at 31 December 2017 (31 December 2016)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total share-holders' equity £m	Non-controlling equity £m	Equity £m
Group										
At 31 December 2016 as previously reported	20.9	20.5	(1.6)	(4.6)	67.3	3.2	21.6	127.3	1.0	128.3
Prior year adjustment (Note 28)	–	–	–	–	–	(3.1)	–	(3.1)	–	(3.1)
At 31 December 2016 restated	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2
Profit/(loss) for the year	–	–	–	–	–	12.6	–	12.6	(0.6)	12.0
Other comprehensive (loss)/income	–	–	–	(1.0)	–	12.9	–	11.9	–	11.9
Total comprehensive (loss)/income	–	–	–	(1.0)	–	25.5	–	24.5	(0.6)	23.9
New share capital issued	0.1	1.4	–	–	–	–	–	1.5	–	1.5
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	0.6	–	0.6	–	0.6
Subsidiaries acquired (Note 25)	–	–	–	–	–	–	–	–	(4.2)	(4.2)
Dividends paid	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Disposal of own shares	–	–	0.3	–	–	(0.3)	–	–	–	–
At 31 December 2017	**21.0**	**21.9**	**(1.3)**	**(5.6)**	**67.3**	**11.4**	**21.6**	**136.3**	**(3.8)**	**132.5**
At 31 December 2015 as previously reported	15.4	20.4	(1.8)	(21.6)	–	35.6	21.6	69.6	1.6	71.2
Prior year adjustment (Note 28)	–	–	–	–	–	(3.1)	–	(3.1)	–	(3.1)
At 31 December 2015 restated	15.4	20.4	(1.8)	(21.6)	–	32.5	21.6	66.5	1.6	68.1
Profit/(loss) for the year	–	–	–	–	–	8.5	–	8.5	(0.5)	8.0
Other comprehensive income/(loss)	–	–	–	17.0	–	(31.3)	–	(14.3)	(0.1)	(14.4)
Total comprehensive income/(loss)	–	–	–	17.0	–	(22.8)	–	(5.8)	(0.6)	(6.4)
New share capital issued	5.5	0.1	–	–	69.7	–	–	75.3	–	75.3
Rights Issue costs	–	–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Share-based payments	–	–	–	–	–	0.8	–	0.8	–	0.8
Income tax effect of share-based payments	–	–	–	–	–	0.3	–	0.3	–	0.3
Dividends paid	–	–	–	–	–	(10.6)	–	(10.6)	–	(10.6)
Disposal of own shares	–	–	0.2	–	–	(0.1)	–	0.1	–	0.1
At 31 December 2016	20.9	20.5	(1.6)	(4.6)	67.3	0.1	21.6	124.2	1.0	125.2

Group and Company Statements of Changes in Equity continued
As at 31 December 2017 (31 December 2016)

	Ordinary shares £m	Share premium account £m	Treasury shares £m	Translation and hedge reserves £m	Merger relief reserve £m	Retained earnings £m	Capital redemption reserve £m	Total share-holders' equity £m	Non-controlling equity £m	Equity £m
Company										
At 31 December 2016	20.9	20.5	(1.6)	(0.9)	67.3	42.2	21.6	170.0	–	170.0
Loss for the year	–	–	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Other comprehensive gain	–	–	–	0.4	–	12.6	–	13.0	–	13.0
Total comprehensive income	–	–	–	0.4	–	12.5	–	12.9	–	12.9
New share capital issued	0.1	1.4	–	–	–	–	–	1.5	–	1.5
Share-based payments	–	–	–	–	–	1.4	–	1.4	–	1.4
Income tax effect of share-based payments	–	–	–	–	–	0.1	–	0.1	–	0.1
Intragroup transfer of pension obligation	–	–	–	–	–	6.2	–	6.2	–	6.2
Dividends paid	–	–	–	–	–	(15.9)	–	(15.9)	–	(15.9)
Disposal of own shares	–	–	0.3	–	–	(0.3)	–	–	–	–
At 31 December 2017	**21.0**	**21.9**	**(1.3)**	**(0.5)**	**67.3**	**46.2**	**21.6**	**176.2**	**–**	**176.2**
At 31 December 2015	15.4	20.4	(1.8)	(0.9)	–	36.9	21.6	91.6	–	91.6
Profit for the year	–	–	–	–	–	46.5	–	46.5	–	46.5
Other comprehensive loss	–	–	–	–	–	(31.3)	–	(31.3)	–	(31.3)
Total comprehensive income	–	–	–	–	–	15.2	–	15.2	–	15.2
New share capital issued	5.5	0.1	–	–	69.7	–	–	75.3	–	75.3
Rights Issue costs	–	–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Share-based payments	–	–	–	–	–	0.8	–	0.8	–	0.8
Dividends paid	–	–	–	–	–	(10.6)	–	(10.6)	–	(10.6)
Disposal of own shares	–	–	0.2	–	–	(0.1)	–	0.1	–	0.1
At 31 December 2016	20.9	20.5	(1.6)	(0.9)	67.3	42.2	21.6	170.0	–	170.0

Group and Company Statements of Cash Flows
For the year ended 31 December 2017 (year ended 31 December 2016)

		Group		Company	
	Notes	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Cash flows from operating activities					
Cash generated from operations	18	**70.2**	46.1	**(9.4)**	(15.8)
Interest received		**1.2**	0.7	**–**	–
Interest paid		**(13.7)**	(7.7)	**(12.4)**	(7.2)
Tax paid		**(17.0)**	(15.4)	**(2.7)**	(3.7)
Net cash flow from/(used in) operating activities		**40.7**	23.7	**(24.5)**	(26.7)
Cash flows from investing activities					
Acquisitions	25	**(171.3)**	(4.7)	**–**	–
Cash acquired with subsidiaries	25	**12.9**	0.3	**–**	–
Investment in associate		**–**	(0.4)	**–**	–
Loan repayment by associate		**–**	0.3	**–**	–
Purchase of property, plant and equipment		**(29.8)**	(24.5)	**(0.3)**	–
Intangible asset additions		**(2.8)**	(2.6)	**–**	–
Proceeds from sale of property, plant and equipment		**0.8**	2.4	**–**	–
Dividends received from equity accounted investments		**6.3**	6.6	**–**	–
Net cash flow used in investing activities		**(183.9)**	(22.6)	**(0.3)**	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**1.5**	72.9	**1.5**	72.9
Proceeds from borrowings		**293.4**	–	**293.4**	–
Repayment of borrowings		**(101.3)**	(64.0)	**(101.3)**	(63.4)
Dividends paid to ordinary shareholders	9	**(15.9)**	(10.6)	**(15.9)**	(10.6)
Net amounts (lent to)/repaid by subsidiaries		**–**	–	**(148.9)**	28.0
Net cash flow from/(used in) financing activities		**177.7**	(1.7)	**28.8**	26.9
Increase/(decrease) in net cash and cash equivalents		**34.5**	(0.6)	**4.0**	0.2
Effects of exchange rate movements		**(1.7)**	4.8	**–**	–
Opening net cash and cash equivalents[i]		**38.1**	33.9	**1.0**	0.8
Closing net cash and cash equivalents[i]	19	**70.9**	38.1	**5.0**	1.0

Note:
(i) Net cash and cash equivalents include cash at bank and in hand and bank overdrafts.

Notes to the Accounts

The consolidated accounts of the Group for the year ended 31 December 2017 were approved and authorised for issue in accordance with a resolution of the Directors on 12 March 2018. John Menzies plc, a public company with registered number SC34970 and registered address of 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, is a limited company incorporated in Scotland and listed on the London Stock Exchange.

1. Accounting Policies

A summary of the more significant accounting policies, which have been consistently applied, is set out below.

Basis of preparation

The consolidated accounts, which have been prepared under the historical cost convention and in accordance with EU Endorsed International Financial Reporting Standards, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, incorporate the accounts of the Company and its subsidiaries, joint ventures and associates from the effective date of acquisition or to the date of deemed disposal.

As permitted by section 408 of the Companies Act 2006, no Income Statement is presented by the Company.

New accounting standards and amendments

Three new accounting standards and amendments are applicable for the Group for the first time in 2017. However, they do not impact the annual consolidated financial statements of the Group. These are:
Amendment to IAS 7: Disclosure Initiative – effective date 1 January 2017
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses – effective date 1 January 2017
Annual Improvements to IFRS 2014-2016 cycle – effective date 1 January 2017

Standards and amendments to standards that have been issued that are applicable for the Group but are not effective for 2017 and have not been early adopted in these financial statements are:
IFRS 9 Financial Instruments – effective date 1 January 2018
IFRS 15 Revenue from Contracts with Customers – effective date 1 January 2018
IFRS 16 Leases – effective date 1 January 2019
IFRS 2 Classification and Measurement of Share Based Payment Transactions[(i)] – effective date 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration[(i)] – effective date 1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments[(i)] – effective date 1 January 2019
Annual Improvements to IFRS 2015-2017 cycle[(i)] – effective date 1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement[(i)] – effective date 1 January 2019

Note:
(i) IFRS 2 amendment, IFRIC 22 and 23, annual improvements 2015-2017 and IAS 19 amendments are not yet adopted for use in the European Union.

The above standards and amendments will be adopted in accordance with their effective dates and for standards with a future effective date, the Directors are in the process of assessing the likely impact and look to finalisation of the standards before formalising their view.

Ahead of the adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018, Management's review of a representative sample of material contracts to ensure compliance with the new standard is at an advanced stage and has indicated that there is expected to be no material adjustment on adoption of IFRS 15. Substantially all revenue earned by the Group is recognised at the point of service or on delivery of goods, and revenue recognised does not vary materially from the consideration to which the Group is entitled. Were any adjustment to be required, the modified retrospective approach would be adopted with the cumulative impact of any adjustment recognised in retained earnings on transition date.

As part of the IFRS 15 review exercise, reconsideration has been made of the previous view that the historic approach to accounting for sales returns in the Distribution Division in the period in which they occurred was not materially misstated and concluded that, with the imminent application of the new standard, it is qualitatively material and have adjusted retrospectively. A restatement has been made to the Balance Sheet to recognise an adjustment to receivables and corresponding payables to reflect contractual obligations in relation to returns. The Income Statement also has been restated to reflect the change in sales and net operating costs as a result of the movements in these amounts. See Note 28 for detail. For clarity, there is no impact from these adjustments on prior year reported profit before taxation or earnings per share. Following the restatement, Management does not expect there to be an impact from the accounting for sales returns assets and liabilities on implementation of IFRS 15 on 1 January 2018.

Ahead of the adoption of IFRS 16 Leases on 1 January 2019, management is in the process of collating information to ensure compliance with the new standard. The new standard removes the distinction between operating leases and finance leases and brings most of the assets subject to lease onto the balance sheet as fixed assets with the corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement.

Ahead of the application of IFRS 9 Financial Instruments on 1 January 2018, management has reviewed the impact of the new standard. Management expects the impact on the accounting for hedging arrangements to be minimal and the expected credit loss model for impairment reviews will not have an overall impact on the Group. The expected credit loss approach may impact the individual retained earnings of individual entities within the Group due to the potential additional impairment provision for long term intercompany receivables. These potential impairments would not impact on the Group as they would be intragroup items.

Basis of consolidation

The consolidated accounts of the Group include the assets, liabilities and results of the Company and subsidiary undertakings in which John Menzies plc has a controlling interest, using accounts drawn up to 31 December except where entities do not have coterminous year ends. In such cases, the information is based on the accounting period of these entities and is adjusted for material changes up to 31 December. Accordingly, the information consolidated is deemed to cover the same period for all entities throughout the Group.

Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if the Group has all of the following: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including: contractual arrangement with other vote holders of the investee; rights arising from other contractual arrangements; and the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, the related assets including goodwill, liabilities, non-controlling interests and other components of equity are derecognised, while any resultant gain or loss is recognised in the Income Statement. Any investment retained is recognised at fair value.

Notes to the Accounts continued

1. Accounting Policies continued

Joint ventures and associates
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Income Statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's Statement of Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Income Statement outside operating profit and represents profit or loss after tax and non-controlling interests in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the share of the profit of an associate and a joint venture in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Income Statement.

In India, Menzies Bobba Ground Handling Services Private Ltd is 51% owned, Menzies Aviation Bobba (Bangalore) Private Ltd and Hyderabad Menzies Air Cargo Private Ltd are 49% owned, and Menzies Macau Airport Services Ltd in China is 29% owned. They are treated as joint ventures in the Group accounts as the parties to each of the ventures work together with equal powers to control the entities. Each venturer in the respective entity retains the power of veto, and overall key strategic, operational and financial decisions require the consent of all parties.

The financial statements of each associate or joint venture are prepared for the same reporting period as the Group. The Group's three Indian joint ventures have a statutory year end of 31 March. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Revenue
In the Aviation business, cargo handling and forwarding revenue is recognised at the point of departure for exports and at the point that the goods are ready for despatch for imports. Other ramp, passenger, into plane fuelling and aviation related services income is recognised at the time the service is provided in accordance with the terms of the relevant contract. Revenue excludes value-added and sales taxes and charges collected on behalf of customers.

In the Distribution business, revenue is recognised on the despatched value of goods sold, excluding value-added tax. Product is sold to retailers on a sale or return basis. Revenue for goods supplied with a right of return is stated net of the value of any returns.

Property, plant and equipment
Property, plant and equipment is stated at cost, including costs to acquire, less accumulated depreciation.
Depreciation is provided on a straight-line basis at the following rates:
Freehold and long leasehold properties – over the shorter of the remaining lease term and 50 years.
Short leasehold properties – over the remaining lease term.
Plant and equipment – over the estimated life of the asset between three and 20 years.

Inventories
Inventories are goods for resale and consumables and are stated at the lower of purchase cost and net realisable value.

Retirement benefit obligation
For the defined benefit pension scheme, the operating and financing costs of pensions are charged to the Income Statement in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the Statement of Comprehensive Income. Pension charges are assessed in accordance with the advice of qualified actuaries.

For the defined contribution pension schemes, the Income Statement charge represents contributions made.

Taxation
Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base. Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Current and deferred tax is recognised in the Income Statement except if it relates to an item recognised directly in equity or in other comprehensive income, in which case it is recognised directly in the Statement of Changes in Equity or in the Statement of Comprehensive Income as appropriate.

Notes to the Accounts continued

1. Accounting Policies continued

Intangible assets

Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed and included in exceptional items.

Goodwill arising on acquisitions before the date of transition to IFRS on 26 December 2004 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Goodwill acquired is recognised as an asset and reviewed for impairment at least annually by assessing the recoverable amount of each cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment is recognised in the Income Statement.

Goodwill arising on the acquisition of joint ventures and associates is included within the carrying value of the investment.

Contracts

The fair value of intangible assets attributed to contracts at the point of acquisition is determined by discounting the expected future cash flows to be generated from that asset at the relevant risk-adjusted weighted average cost of capital for the Group. Values are not attributed to internally generated customer relationships.

Contract amortisation is business stream dependent. In the Distribution business, capitalised publisher contracts are not amortised due to the very long-term nature of the business. These contracts are tested annually for impairment using the same criteria as for the testing of the goodwill. In the Aviation business and core non-publisher contracts in the Distribution business, most contracts are amortised on a straight-line basis over ten years as this period is the minimum timeframe Management considers when assessing businesses for acquisition. Certain other contracts are amortised over the remaining life of the contract.

Computer Software

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These direct costs include the cost of software development employees. Computer software assets are amortised over their estimated useful lives, usually three to seven years.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets acquired under finance leases are capitalised in the Balance Sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is recorded in the Balance Sheet as a finance lease obligation. The lease payments are apportioned between finance charges to the Income Statement and a reduction of the lease obligations.

Rental payments under operating leases are charged to the Income Statement on a straight-line basis over the applicable lease periods.

Trade receivables

If there is objective evidence that the Group is not be able to collect amounts due under the original terms of a sales invoice, a provision against the respective trade receivable is recognised. In such an instance the carrying value of the receivable is reduced with the amount of the loss recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

Foreign currencies

Foreign currency assets and liabilities of the Group are translated at the rates of exchange ruling at the balance sheet date. The trading results of overseas subsidiaries, joint ventures and associates are translated at the average exchange rate ruling during the year, with the exchange difference between average rates and the rates ruling at the balance sheet date being taken to reserves.

Any differences arising on the translation of the opening net investment, including goodwill, in overseas subsidiaries, joint ventures and associates, and of applicable foreign currency loans, are dealt with as adjustments to reserves. All other exchange differences are dealt with in the Income Statement.

Derivative financial instruments and hedging activities

The Group uses interest rate swaps and forward contracts as derivatives to hedge the risks arising from interest rates and the retranslation of foreign currency denominated items.

The Group has derivatives that are designated as hedges of overseas net investments in foreign currency denominated entities (net investment hedges) and derivatives that are designated as hedges of interest rates and the exchange risk arising from the retranslation of highly probable forecast revenue denominated in foreign currency of some of its overseas operations (cash flow hedges).

Derivative contracts entered into by the Group are expected to continue to be highly effective until they expire. The effectiveness of these contracts is monitored during the year. As a result, derivatives have been recorded using hedge accounting. Derivatives are measured at fair value, which is calculated as the present value of future cash flows from the derivative discounted at prevailing market rates.

Changes in the fair value of the effective portion of net investment hedges are recorded in equity and are only recycled to the Income Statement on disposal of the overseas net investment.

Changes in the fair value of the effective portion of cash flow hedges are recorded in equity until such time as the forecast transaction occurs, at which time they are recycled to the Income Statement. If the occurrence of the transaction results in a non-financial asset or liability, then amounts recycled from equity are included in the cost of the non-financial asset or liability. If the forecast transaction remains probable but ceases to be highly probable then, from that point, changes in fair value are recorded in the Income Statement within finance costs. Similarly if the forecast transaction ceases to be probable then the entire fair value recorded in equity and future changes in fair value are posted to the Income Statement within finance costs.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

Provisions

Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Share capital

Ordinary shares are classed as equity. Where the Company purchases its own shares the consideration paid, including any directly attributable incremental costs, is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant and recognised as an expense over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest unless the options do not vest as a result of a failure to satisfy market conditions. Fair value is measured by use of a relevant pricing model.

Notes to the Accounts continued

1. Accounting Policies continued

Estimates and judgements

The preparation of the consolidated accounts requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates will, by definition, seldom equal the related actual results, particularly given changes in economic conditions and the level of uncertainty regarding their duration and severity.

Estimates

Management has made a number of accounting assumptions and estimates which, if they transpire to be materially incorrect, have a risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most important assumptions and estimates are set out below.

Intangible Assets

On the acquisition of a business it is necessary to attribute fair values to any intangible assets acquired, provided they meet the criteria to be recognised. The fair values of these intangible assets are dependent on estimates of attributable future revenues, margins and cash flows, as well as appropriate discount rates. In addition, the allocation of useful lives to acquired intangible assets requires the application of judgement based on available information and Management expectations at the time of recognition. See Note 11 for further details.

Impairment

In accordance with IAS 36 Impairment of Assets, management performs an impairment review on any assets that show indications of impairment and annually on goodwill and intangibles that are deemed to have indefinite lives. During the current year, no impairment indicators were noted over individual assets. Management's impairment review of goodwill and indefinite life intangibles involves exercising judgement about future cash flows and other events that are by their nature uncertain. Management has disclosed the pre-tax discount rates used when performing this review in Note 11. From Management's review, no impairment was identified (2016: £9.6m).

Retirement Benefit Obligation

In accordance with IAS 19 Employee Benefits, management is responsible for making a number of financial and demographic assumptions in relation to the defined benefit pension scheme that has a direct impact on the pension deficit recognised within the financial statements. The assumptions underlying the calculation of the retirement benefit obligation are important and management has determined the appropriate estimates based on independent actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligation. See Note 23 for further details.

Judgements

The following are key judgements, apart from those involving estimations which are dealt with separately above, that Management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised within the financial statements.

Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Group exercises judgement in determining whether provisions are required in relation to onerous property leases. Judgement is necessary in assessing the likelihood of whether or not an alternative use can be found for these properties or a suitable tenant can be found in order to cover the cost of the lease. This likelihood will vary depending on the size, location and type of property. Management has performed a review of all leases at year end and concluded that a small minority are deemed to be onerous and such leases have been fully provided for.

In accordance with IAS 37, the Group also exercises judgement in determining whether provisions are required in relation to workers' compensation claims, warranty claims and legal claims. Judgement is necessary in assessing the veracity, measurement and probability of the claims. Management has reviewed available external and internal information relating to these types of claims and has made appropriate provisions accordingly.

See Note 22 for further details.

Income Taxes

The Group is subject to income tax in a number of jurisdictions and judgement is required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax by estimating the taxes that are likely to become due, based on Management's interpretation of country specific tax law and the likelihood of settlement. Management uses the services of a professional firm together with the expertise and historic experience of the Group's inhouse tax team when assessing tax risks. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. See Notes 8 and 14 for further details.

The main provision held by the Group is against a claim for a reduced rate of tax in an overseas territory, based on the nature of its activities in that territory which is subject to enquiry by the relevant tax authority. The Group does not recognise the potential benefit to its effective tax rate from that claim until the agreement of the relevant tax authority is obtained and therefore an appropriate provision is held until that point. Other uncertain tax provisions are held for potential tax authority challenge of transfer pricing arrangements, deemed distributions of profits, the tax treatment of interest and foreign exchange differences on certain intercompany loans and for tax authority challenge against the interpretation of local tax legislation where the application of that legislation is unclear. During the year the tax treatment of the pension funding arrangement which the Group has in place was agreed with the relevant tax authority resulting in a £1.0m credit to prior year current tax. Whilst there is a range of potential outcomes for these uncertain tax positions, Management's best estimate of how these provisions may move and impact the Group's Income Statement over the next 12 months is an increase in the tax liability of £2.0m to a decrease in the tax liability of £0.2m.

The Group has made an assessment of the use of tax losses in calculating its deferred tax asset and liability including losses in the United States of America that may be subject to section 382 restrictions should the ownership of the Company change significantly in the future.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the Income Statement to enable a full understanding of the Group's financial performance. These exclude certain elements of intangible asset impairment and amortisation which are also presented separately in the Income Statement.

Transactions that may give rise to exceptional items include restructuring of business activities in terms of rationalisation costs and onerous lease provisions, gains or losses on the disposal of businesses and acquisition transaction and other related costs including changes in deferred consideration.

Dividend distributions

Final ordinary dividends are recognised as liabilities in the period in which the dividends are approved by the Company's shareholders.

Financial risk factors

The Group is exposed to financial risks: liquidity risk, interest rate fluctuations, foreign exchange exposures and credit risk. See Note 17 for further details.

Notes to the Accounts continued

1. Accounting Policies continued

Non-GAAP measures

The Group's reported results are prepared in accordance with IFRSs as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006. In measuring our performance, the financial measures that are used include those which have been derived from the reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating performance and value creation. Non-GAAP measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Contract amortisation relates to intangible assets recognised on historic acquisitions and therefore since it is transaction related it is presented separately in order to provide stakeholders and Management with an appreciation for underlying business performance.

The Group's share of post-tax profit relating to joint ventures and associates is included within operating profit. IAS 1 Presentation of Financial Statements does not prescribe where the investors' share of post-tax profit is presented in the Income Statement but Management presents the results within operating profit after joint ventures and associates given the similarity of those operations to other wholly owned businesses.

The Group's definitions of non-GAAP measures are set out below and provide reconciliations to relevant GAAP measures.

Turnover

Turnover comprises revenue from subsidiaries and the Group's share of revenue from joint ventures and associates.

	2017 £m	2016(i) £m
Revenue	**2,460.5**	1,982.5
Share of revenue of joint ventures and associates	**57.2**	95.1
Turnover	**2,517.7**	2,077.6

Note:
(i) As set out in Note 28 revenue for the year ending 31 December 2016 has been restated.

Underlying Operating Profit

As disclosed on the face of the Income Statement, underlying operating profit adjusts for non-recurring exceptional items, impairment charges associated with goodwill, joint venture assets and other intangibles, contract amortisation and the Group's share of joint ventures and associates interest and tax to provide an appreciation of the impact of those items on operating profit.

Underlying Profit Before Taxation

As disclosed on the face of the Income Statement, underlying profit before taxation is defined as underlying operating profit, less net finance charges and before exceptional and other items.

Underlying Earnings per Share

As disclosed on the face of the Income Statement, underlying earnings per share is defined as profit after taxation and non-controlling interest before intangible amortisation and impairment and exceptional items, divided by the weighted average number of ordinary shares in issue.

The calculation of underlying earnings per share is set out in Note 10.

Free Cash Flow

Free cash flow is defined as the cash generated after net capital expenditure, interest and taxation, before special pension contributions, acquisitions, disposals, exceptional items, cash raised, ordinary dividends and net spend on shares.

	2017 £m	2016 £m
Cash generated from operations	**70.2**	46.1
Adjusted for:		
Net interest paid	**(12.5)**	(7.0)
Exceptional interest paid	**0.6**	3.2
Tax paid	**(17.0)**	(15.4)
Dividends received from equity accounted investments	**6.3**	6.6
Purchase of property, plant and equipment	**(29.8)**	(24.5)
Intangible asset additions	**(2.8)**	(2.6)
Proceeds from sale of property, plant and equipment	**0.8**	2.4
Additional retirement benefit obligation contribution	**11.3**	10.9
Exceptional cash spend	**22.1**	11.4
Free cash flow	**49.2**	31.1

Underlying Operating Cash Flow

Underlying operating cash flow is free cash flow before net capital expenditure, net interest paid and taxation.

	2017 £m	2016 £m
Free cash flow as set out above	**49.2**	31.1
Adjusted for:		
Purchase of property, plant and equipment	**29.8**	24.5
Intangible asset additions	**2.8**	2.6
Proceeds from sale of property, plant and equipment	**(0.8)**	(2.4)
Net interest paid excluding exceptional interest	**11.9**	3.8
Tax paid	**17.0**	15.4
Underlying operating cash flow	**109.9**	75.0

2. Segment Information

For management purposes the Group is organised into two Operating Divisions, Aviation and Distribution, and a central Corporate function. The two Operating Divisions are organised and managed separately based upon their key markets. The Aviation Division provides ground handling and cargo services as well as into-plane fuelling and fuel farm management services across the world. The Distribution Division provides newspaper and magazine distribution services along with marketing and logistics services across the United Kingdom and the Republic of Ireland.

The information presented to the Board for the purpose of resource allocation and assessment of segment performance is focused on the performance of each Division as a whole but also contains performance information on a number of operating segments within the Aviation Division. The Board assesses the performance of the operating segments based on a measure of adjusted segment result before exceptional items, intangible amortisation and share of joint ventures and associates interest and tax. Net finance income and expenditure is not allocated to segments as this activity is managed by a central treasury function.

Segment information is presented in respect of the Group's reportable segments together with additional geographic and Balance Sheet information. Transfer prices between segments are set on an arm's length basis.

Notes to the Accounts continued

2. Segment Information (continued)

Business segment information

	Revenue 2017 £m	Revenue 2016(i) £m	Underlying operating profit/(loss) 2017 £m	Underlying operating profit/(loss) 2016 £m
Aviation				
Americas	**460.4**	219.8	**23.0**	12.9
EMEA	**525.1**	391.2	**14.9**	6.0
Rest of World	**173.3**	139.6	**15.5**	10.9
Cargo Forwarding	**143.4**	117.5	**5.4**	4.4
	1,302.2	868.1	**58.8**	34.2
Distribution	**1,215.5**	1,209.5	**24.8**	24.7
Corporate	**–**	–	**(5.7)**	(3.7)
	2,517.7	2,077.6	**77.9**	55.2
Joint ventures and associates	**(57.2)**	(95.1)	**–**	–
	2,460.5	1,982.5	**77.9**	55.2

The reconciliation of segmental underlying operating profit/(loss) to profit before tax is:

2017	Notes	Aviation £m	Distribution £m	Corporate £m	Group £m
Operating profit/(loss) before joint ventures and associates		**28.2**	**19.4**	**(16.2)**	**31.4**
Share of post-tax results of joint ventures and associates		**7.0**	**0.8**	**–**	**7.8**
Operating profit/(loss)		**35.2**	**20.2**	**(16.2)**	**39.2**
Analysed as:					
Underlying operating profit/(loss)(ii)		**58.8**	**24.8**	**(5.7)**	**77.9**
Exceptional transaction related items	5	**(15.5)**	**(1.1)**	**(5.1)**	**(21.7)**
Exceptional pension de-risking costs	5	**–**	**–**	**(5.4)**	**(5.4)**
Contract amortisation	11	**(7.1)**	**(3.4)**	**–**	**(10.5)**
Share of joint ventures and associates interest		**0.9**	**–**	**–**	**0.9**
Share of joint ventures and associates tax		**(1.9)**	**(0.1)**	**–**	**(2.0)**
Operating profit/(loss)		**35.2**	**20.2**	**(16.2)**	**39.2**
Net finance expense					**(12.5)**
Profit before taxation					**26.7**

2016	Notes	Aviation £m	Distribution £m	Corporate £m	Group £m
Operating profit/(loss) before joint ventures and associates		7.9	20.0	(7.8)	20.1
Share of post-tax results of joint ventures and associates		5.8	1.7	–	7.5
Operating profit/(loss)		13.7	21.7	(7.8)	27.6
Analysed as:					
Underlying operating profit/(loss)(ii)		34.2	24.7	(3.7)	55.2
Rationalisation and acquisition related items	5	(4.9)	0.2	(4.1)	(8.8)
Net impairment loss	5	(9.6)	–	–	(9.6)
Contract amortisation	11	(5.1)	(2.8)	–	(7.9)
Share of joint ventures and associates interest		0.6	–	–	0.6
Share of joint ventures and associates tax		(1.5)	(0.4)	–	(1.9)
Operating profit/(loss)		13.7	21.7	(7.8)	27.6
Net finance expense					(7.8)
Profit before taxation					19.8

Notes:
(i) As set out in Note 28 revenue for the year ending 31 December 2016 has been restated.
(ii) Underlying operating profit/(loss) is defined as operating profit/(loss) excluding intangible amortisation as shown in Note 5 and exceptional items but including the pre-tax share of results from joint ventures and associates.

2017	Aviation £m	Distribution £m	Corporate £m	Group £m
Segment assets	**574.0**	**179.2**	**6.9**	**760.1**
Unallocated assets				**97.0**
Total assets				**857.1**
Segment liabilities	**(241.6)**	**(100.2)**	**(25.9)**	**(367.7)**
Unallocated liabilities including retirement benefit obligation				**(356.9)**
Total liabilities				**(724.6)**
Segment net assets/(liabilities)	**332.4**	**79.0**	**(19.0)**	**392.4**
Unallocated net liabilities including retirement benefit obligation				**(259.9)**
Net assets				**132.5**

2016	Aviation £m	Distribution £m	Corporate £m	Group £m
Segment assets(i)	314.2	181.2	8.0	503.4
Unallocated assets				63.1
Total assets				566.5
Segment liabilities(i)	(126.6)	(95.6)	(30.4)	(252.6)
Unallocated liabilities				(188.7)
Total liabilities				(441.3)
Segment net assets/(liabilities)	187.6	85.6	(22.4)	250.8
Unallocated net liabilities				(125.6)
Net assets				125.2

Note:
(i) As set out in Note 28 current receivables and payables at 31 December 2016 have been restated.

Notes to the Accounts continued

2. Segment Information continued

Unallocated assets comprise deferred tax assets, cash and cash equivalents. Unallocated liabilities comprise retirement benefit obligation, borrowings, current income tax liabilities and deferred tax liabilities.

2017	Aviation £m	Distribution £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	26.5	2.1	0.3	28.9
Capital expenditure – intangible assets	1.9	0.9	–	2.8
Depreciation	23.3	3.7	0.8	27.8
Amortisation of intangible assets	8.1	5.8	–	13.9
Gain on disposal of property, plant and equipment	–	(0.1)	–	(0.1)

2016	Aviation £m	Distribution £m	Corporate £m	Group £m
Capital expenditure – property, plant and equipment	23.1	2.7	0.3	26.1
Capital expenditure – intangible assets	1.8	0.8	–	2.6
Depreciation	17.3	4.3	0.7	22.3
Amortisation of intangible assets	5.9	5.2	–	11.1
Impairment of intangible assets	7.2	–	–	7.2
(Gain)/loss on disposal of property, plant and equipment	(0.3)	0.2	–	(0.1)

Geographic information

	Revenue		Non-current assets(i)	
	2017 £m	2016(ii) £m	2017 £m	2016 £m
United Kingdom	1,423.7	1,332.8	129.3	102.5
United States of America	362.0	169.1	136.3	44.3
Others	674.8	480.6	121.4	115.4
	2,460.5	1,982.5	387.0	262.2

Notes:
(i) Non-current assets exclude deferred tax assets.
(ii) As set out in Note 28 revenue for the year ending 31 December 2016 has been restated.

3. Net Operating Costs

	Notes	2017 £m	2016(i) £m
Goods for resale and other direct operating costs		1,144.9	1,087.0
Employment costs	4	857.5	582.1
Exceptional items	5	27.1	8.8
Net impairment loss	5	–	9.6
Intangible assets amortisation	11	13.9	11.1
Depreciation	12	27.8	22.3
Other operating charges		357.9	241.5
		2,429.1	1,962.4

Note:
(i) As set out in Note 28 costs for the year ending 31 December 2016 has been restated.

Other operating charges include:

	2017 £m	2016 £m
Operating leases and hire charges – plant and equipment	47.8	32.1
Rent of properties	47.1	34.9
Gain on disposal of property, plant and equipment	(0.1)	(0.1)
Currency translation gain	–	(0.4)

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs as detailed below.

	2017 £m	2016 £m
Audit of the Company and consolidated accounts	0.3	0.3
Audit of the Company's subsidiaries pursuant to legislation	1.0	0.7
Transaction advisory services	0.7	1.9
Tax compliance	–	0.4
Tax advisory	–	1.0

4. Employee costs

	2017 £m	2016 £m
Wages and salaries	768.3	517.0
Share-based payments	1.4	0.7
Social security costs	66.6	46.6
	836.3	564.3
Pension charge	21.2	17.8
Employee costs (pre-exceptional)	857.5	582.1

For the Company, wages and salaries were £1.3m (2016: £1.1m), share-based payments were £0.3m (2016: £0.1m), social security costs were £0.1m (2016: £0.1m) and the pension charge was £Nil (2016: £0.1m) for nine employees all of whom were members of the Board (2016: eight).

The average number of people employed by the Group during the year was:

	2017	2016
Aviation	33,054	23,677
Distribution	3,563	3,465
Corporate	36	34
	36,653	27,176

The above includes 26,235 people employed outside the United Kingdom (2016: 18,786).

Retirement benefit obligation charge

Certain Group subsidiaries participate in a number of pension schemes which are of a defined contribution nature and some of which operate overseas. The Income Statement charge for defined contribution schemes represents the contributions payable. The Group also operated a defined benefit scheme in the United Kingdom as set out in Note 23.

The retirement benefit obligation charge, pre-exceptional, was:

	2017 £m	2016 £m
Defined contribution schemes charge	19.0	14.6
Defined benefit scheme charge – Section A	2.1	3.2
Defined benefit scheme charge – Section B	0.1	–
Retirement benefit obligation charge (pre-exceptional)	21.2	17.8

Notes to the Accounts continued

5. Exceptional and Other Items

Exceptional items included in operating profit

	2017 £m	2016 £m
Acquisition and other transaction related costs(i)	**(7.8)**	(9.1)
Pension de-risking costs(ii)	**(5.4)**	–
Integration costs(iii)	**(13.9)**	–
Acquisition related earn-out adjustment(iv)	**–**	0.3
	(27.1)	(8.8)

Notes:
(i) Acquisition and other transaction related costs reflect £3.2m of costs incurred relating to the work undertaken to demerge and sell the Distribution business, £2.2m pre-acquisition costs (including corporate finance and professional advisor fees) relating to the acquisition of ASIG Holdings Ltd and ASIG Holdings Corp. (ASIG) on 1 February 2017, £1.2m increase in onerous lease provision, £0.4m transaction related costs relating to Hyderabad Menzies Air Cargo Private Ltd, £0.4m transaction related costs relating to the planned acquisition of a joint venture business in Oman and £0.3m relating to the step acquisition of EM News Distribution (Ireland) Ltd and EM News Distribution (NI) Ltd and acquisitions of Gold Coast Air Terminal Services Pty Ltd and Gnewt Cargo Ltd.

Acquisition and other transaction related costs in the prior year relate to the Rights Issue process and acquisition of ASIG (acquisition costs £5.7m and integration costs £1.3m) as well as the acquisition of Renaissance Aviation Ltd, Thistle Couriers Ltd and Edinburgh Arts and Entertainment Ltd (£0.2m total). In addition, aborted Aviation transaction costs were £0.9m while restructure consultancy costs were £0.8m and other transaction costs were £0.2m.
(ii) Pension de-risking costs relate to fees and charges incurred in order to close the Company's defined benefit pension fund to future accrual (including curtailment costs of £2.7m) and in relation to the sectionalisation of the scheme as set out in Note 23.
(iii) Integration costs relate to the ASIG acquisition in Aviation and comprise integration related costs incurred post acquisition, predominantly integration team, IT consultancy and systems related costs and rationalisation, predominantly redundancy.
(iv) In the prior year, contingent consideration relating to the acquisition of Fore Partnership in Distribution was settled for £1.3m being £0.3m lower than anticipated at 31 December 2015.

Exceptional items included in finance charges

	2017 £m	2016 £m
Acquisition related finance costs(i)	**(0.7)**	(1.5)
Unwind discount costs(ii)	**(0.1)**	(0.2)

Notes:
(i) Acquisition related finance costs relate to write-off of bilateral facility fees, pre-acquisition ticking fees and amortisation of underwriting fees on the financing facilities agreed in 2016 to fund the acquisition of ASIG on 1 February 2017. In the prior year £1.5m of costs were recognised relating to ticking fees and amortisation of underwriting fees on the same financing facilities.
(ii) Unwind discount costs relate to deferred consideration and onerous lease provisions.

Intangible assets amortisation and impairment included in operating profit

	2017 £m	2016 £m
Contract amortisation(i)	**(10.5)**	(7.9)
Net impairment loss(ii)	**–**	(9.6)

Notes:
(i) Contract amortisation relates to intangible assets recognised on the acquisition of businesses.
(ii) In the prior year a £9.6m impairment was recognised relating to goodwill (£7.2m) and property, plant and equipment (£2.4m) at the cargo operations in Amsterdam.

The taxation effect of the exceptional items is a net credit of £2.2m (2016: net credit of £2.2m) in relation to tax deductions available for a proportion of the exceptional costs arising during the year.

6. Directors Emoluments

Emoluments paid to the Company's Directors are:

	2017 £m	2016 £m
Salary and fees	**1.5**	1.3
Bonus	**0.9**	0.5
Pension salary supplement	**0.2**	0.1
Termination payments	**–**	0.1
	2.6	2.0

Gains made on the exercise of Long Term Incentive Plan awards were £1.0m (2016: £Nil).

Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report.

7. Finance Costs

	2017 £m	2016 £m
Finance income		
Bank deposits	**1.2**	0.7
Finance charges		
Bank loans and overdrafts	**(10.1)**	(4.5)
Preference dividends	**(0.1)**	(0.1)
	(10.2)	(4.6)
Net finance costs excluding retirement benefit obligation interest charge (pre-exceptional)	**(9.0)**	(3.9)

8. Taxation

Tax charge in income statement

	2017 £m	2016 £m
Current tax		
UK corporation tax on profits for the year	**0.2**	1.0
Overseas tax	**16.8**	11.4
Adjustments to prior years' liabilities	**(1.3)**	(0.1)
	15.7	12.3
Deferred tax		
Origination and reversal of temporary differences	**(1.6)**	(1.5)
Adjustments to prior years' liabilities	**(0.4)**	(0.6)
	(2.0)	(2.1)
Retirement benefit obligation	**1.0**	1.6
	(1.0)	(0.5)
Tax on profit on ordinary activities	**14.7**	11.8

Notes to the Accounts continued

8. Taxation continued

Tax related to items charged/(credited) outside income statement

	2017 £m	2016 £m
Deferred tax on actuarial gain/(loss) on retirement benefit obligation	2.7	(7.4)
Deferred tax impact of UK rate change on pension arrangements	–	1.6
Current tax on share-based payments	(0.1)	–
Deferred tax on share-based payments	(0.5)	(0.3)
Current tax on net exchange adjustments	(0.2)	0.4
Deferred tax on net exchange adjustments	–	0.6
	1.9	(5.1)

Effective tax rate

The reconciliation between tax charge and the product of accounting profit multiplied by the Group's domestic tax rate is:

	2017 £m	2016 £m
Profit before tax	26.7	19.8
Profit before tax multiplied by standard rate of UK corporation tax of 19.25% (2016: 20%)	5.1	4.0
Non-deductible expenses including intangible amortisation	3.3	3.5
Depreciation on non-qualifying assets	0.3	0.3
Unrelieved overseas losses	0.9	1.5
Deferred tax assets written off	–	1.5
Deferred tax asset recognised on overseas losses carried forward	(0.3)	(1.6)
Deferred tax liability recognised on undistributed reserves of overseas subsidiaries	–	1.1
Exceptional items	3.2	1.8
Utilisation of previously unrecognised losses	(1.4)	(0.9)
Higher tax rates on overseas earnings	4.8	2.8
Share of joint venture and associate post-tax result included in profit before tax	(1.6)	(1.5)
Adjustments to prior years' liabilities	(1.7)	(0.7)
Impact of tax rate changes	2.1	–
At the effective corporation tax rate of 55.1% (2016: 59.6%)	14.7	11.8

The main rate of UK corporation tax reduced from 20% to 19% from 1 April 2017 and is legislated to reduce further to 17% from 1 April 2020.

The US Tax Cuts and Jobs Act was enacted on 22 December 2017 implementing significant changes to the US corporate tax regime. Whilst most of the US tax changes take effect from 1 January 2018, the reduction in the US federal tax rate from 35% to 21% has resulted in the US deferred tax asset being revalued at 31 December 2017 based on the lower federal tax rate, resulting in a tax charge of £2.1m for the year. The mandatory deemed repatriation of certain deferred foreign earnings (the toll tax) arose in 2017 and those deemed earnings provisionally estimated at £9.8m have been sheltered by losses not recognised in deferred tax. The Group continues to consider the implications of the US tax changes including whether the toll tax can be sheltered by foreign tax credits rather than losses.

Factors that may affect future tax charges

The Group has tax losses carried forward that arose in subsidiary companies operating in the undernoted jurisdictions and are available for offset against future profits of those subsidiaries. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries where it is not probable that future taxable profits will be available against which such assets could be utilised.

	Losses		
	2017 £m	2016 £m	Expiry
Colombia	1.2	3.5	Carry forward indefinitely
Germany	20.2	20.8	Carry forward indefinitely
Namibia	0.5	0.4	Carry forward indefinitely
Norway	16.5	14.7	Carry forward indefinitely
South Africa	14.7	8.1	Carry forward indefinitely
Sweden	2.2	4.3	Carry forward indefinitely
The Netherlands	1.6	4.4	Carry forward for 4 years
United States of America	23.2	31.2	Carry forward for up to 20 years

The Group has capital losses in the United Kingdom of approximately £10.4m (2016: £10.4m) that are available for offset against future taxable gains arising in the United Kingdom. No deferred tax asset has been recognised in respect of these losses.

9. Dividends

Dividends paid on ordinary shares	2017 £m	2016 £m
Interim paid in respect of 2017, 6.0p per share	5.0	–
Final paid in respect of 2016, 13.1p per share	10.9	–
Interim paid in respect of 2016, 5.4p per share	–	3.3
Final paid in respect of 2015, 11.8p per share	–	7.3
	15.9	10.6

Dividends of £Nil were waived on Treasury shares (2016: £0.1m).

The Directors are proposing a final dividend in respect of the year to 31 December 2017 of 14.5p per ordinary share, which will absorb an estimated £12.1m of shareholders' funds. Payment will be made on 2 July 2018 to shareholders on the register at the close of business on 25 May 2018.

Treasury shares

Ordinary shares are held for employee share schemes. At 31 December 2017, the Company held 257,523 (2016: 310,338) ordinary shares with a market value of £1.8m (2016: £1.8m).

Notes to the Accounts continued

10. Earnings Per Share

	Basic		Underlying(i)	
	2017 £m	2016 £m	2017 £m	2016 £m
Profit for the year as set out in the Income Statement	12.0	8.0	47.1	33.8
Loss relating to non-controlling interests	0.6	0.5	0.6	0.5
Earnings for the year attributable to equity shareholders	12.6	8.5	47.7	34.3
Basic earnings per ordinary share				
Earnings per ordinary share	15.1p	11.8p		
Diluted earnings per ordinary share	15.1p	11.8p		
Underlying earnings per ordinary share(i)				
Earnings per ordinary share			57.2p	47.8p
Diluted earnings per ordinary share			57.0p	47.7p
Number of ordinary shares in issue				
Weighted average (million)	83.4	71.8		
Diluted weighted average (million)	83.7	71.9		

Note:
(i) Underlying earnings is presented as an additional performance measure and is stated before exceptional items, intangible amortisation and impairment charges.

The weighted average number of fully paid shares in issue during the year excludes those held by the employee share trusts. The diluted weighted average is calculated by adjusting for all outstanding share options that are potentially dilutive (i.e. where the exercise price is less than the average market price of the shares during the year).

11. Intangible Assets

	Goodwill £m	Contracts, customer relationships and brand £m	Computer software £m	Total £m
Cost				
At 31 December 2016	77.1	101.1	35.0	213.2
Acquisitions (Note 25)	78.0	42.4	–	120.4
Additions	–	–	2.8	2.8
Disposals	–	(3.1)	(1.9)	(5.0)
Currency translation	(7.4)	(2.3)	–	(9.7)
At 31 December 2017	**147.7**	**138.1**	**35.9**	**321.7**
Amortisation and impairment				
At 31 December 2016	25.3	58.7	25.2	109.2
Amortisation charge	–	10.5	3.4	13.9
Released on disposal	–	–	(1.9)	(1.9)
Currency translation	(2.3)	(0.9)	–	(3.2)
At 31 December 2017	**23.0**	**68.3**	**26.7**	**118.0**
Net book value				
At 31 December 2017	**124.7**	**69.8**	**9.2**	**203.7**
At 31 December 2016	51.8	42.4	9.8	104.0

As set out in Note 25, the step acquisitions relating to the Irish joint ventures in the Distribution Division resulted in the effective disposal of £3.1m historic contracts and the subsequent recognition of £3.3m goodwill relating to these fully controlled entities.

	Goodwill £m	Contracts, customer relationships and brand £m	Computer software £m	Total £m
Cost				
At 31 December 2015	64.6	91.6	32.5	188.7
Acquisitions (Note 25)	0.4	2.7	–	3.1
Additions	–	–	2.6	2.6
Disposals	–	–	(0.1)	(0.1)
Currency translation	12.1	6.8	–	18.9
At 31 December 2016	77.1	101.1	35.0	213.2
Amortisation and impairment				
At 31 December 2015	12.3	46.1	22.0	80.4
Amortisation charge	–	7.9	3.2	11.1
Released on disposal	–	–	–	–
Impairment (Note 5)	7.2	–	–	7.2
Currency translation	5.8	4.7	–	10.5
At 31 December 2016	25.3	58.7	25.2	109.2
Net book value				
At 31 December 2016	51.8	42.4	9.8	104.0
At 31 December 2015	52.3	45.5	10.5	108.3

As set out in Note 5, the impairment of goodwill of £7.2m in the prior year relates to the Aviation cargo business in the Netherlands.

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated at acquisition to cash generating units (CGUs) that are expected to benefit from the business combination. The carrying amount of the goodwill and intangible assets with indefinite lives has been allocated to the operating units as per the table below.

		2017			2016		
		Pre-tax discount rate used in impairment review	Goodwill £m	Contracts £m	Pre-tax discount rate used in impairment review	Goodwill £m	Contracts £m
Aviation							
Americas	Ground handling	11%	54.1	–	9%	11.7	–
	Cargo handling	11%	9.3	–	8%	10.1	–
EMEA	Ground handling	9%	30.4	–	9%	3.5	–
	Cargo handling	9%	3.0	–	7%	2.9	–
Cargo Forwarding	USA, Australia and New Zealand	10%	6.3	–	10%	6.4	–
	South Africa	12%	2.1	–	11%	2.1	–
Rest of World		10%	4.0	–	9%	3.2	–
Distribution							
Core	Great Britain	9%	7.3	12.9	8%	7.3	12.9
	Ireland	9%	3.4	–	8%	–	3.1
Other		9%	4.8	–	8%	4.6	–
			124.7	12.9		51.8	16.0

Notes to the Accounts continued

11. Intangible Assets continued

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that these might be impaired. The basis of these impairment tests including key assumptions are set out below.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use future cash flow projections based on financial forecasts approved by Management. The key assumptions for these forecasts are those regarding revenue growth, net margin, capital expenditure and the level of working capital required to support trading, which Management estimates based on past experience and expectations of future changes in the market.

The value in use calculations use a post-tax discount rate assumption in a range from 7% to 9% (2016: 5% to 13%) based on the Group's weighted average post-tax cost of capital and having considered the uncertainty risk attributable to individual CGUs. The equivalent pre-tax discount rate is a range from 9% to 12% (2016: 7% to 11%) as shown in the table above. The pre-tax rate has been applied to pre-tax cash flows.

Aviation

Aviation contracts are amortised on a straight-line basis over ten years as this period is the minimum timeframe Management considers when assessing businesses for acquisition. The carrying value of Aviation contracts is £46.1m (2016: £14.1m) and the average remaining amortisation period is six years (2016: three years).

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. Growth rates in the cash flows beyond the three year period have been assumed to be Nil% (2016: Nil%). Net margin assumptions are based on historic experience.

Base case forecasts show significant headroom above carrying value for each CGU. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. For all significant CGUs there is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

Distribution

Distribution publisher contracts are not amortised due to the very long-term nature of the business in the United Kingdom. The Group distributes to approximately 45% of the UK retail market and has only one major competitor. In such circumstances the Board considers that there is no foreseeable limit to the period over which the contracts are expected to generate cash flows and have been determined to have an indefinite life. These contracts are tested annually for impairment using the criteria outlined above.

Value in use calculations are based on Board approved budgets and plans for a three year period and extrapolated for a further two year period. This reflects Management's specific business expectations for 2021 and 2022. Growth rates in the cash flows beyond the three year period have been assumed to be -8% to Nil% (2016: -9% to Nil%). Net margin assumptions are based on historic experience.

Base case forecasts show significant headroom above carrying value for each CGU. Sensitivity analysis has been undertaken for each CGU to assess the impact of any reasonably possible change in key assumptions. There is no reasonably possible change that would cause the carrying values to exceed recoverable amounts.

Most Distribution core non-publisher contracts are amortised on a straight-line basis over ten years as this period is the minimum time-frame management considers when assessing businesses for acquisition. The carrying value of Distribution non-publisher contracts is £10.9m (2016: £12.3m) and the average remaining amortisation period is four years (2016: five years).

12. Property, Plant and Equipment

	Group				Company
	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m
Cost					
At 31 December 2016	34.9	39.5	263.2	337.6	32.9
Acquisitions (Note 25)	–	10.8	21.1	31.9	–
Additions	1.2	1.3	26.4	28.9	0.3
Disposals	–	–	(5.4)	(5.4)	–
Currency translation	–	0.3	(6.4)	(6.1)	–
At 31 December 2017	**36.1**	**51.9**	**298.9**	**386.9**	**33.2**
Depreciation					
At 31 December 2016	12.5	27.9	169.9	210.3	9.0
Charge for the year	0.7	3.1	24.0	27.8	0.8
Disposals	–	–	(4.7)	(4.7)	–
Currency translation	–	0.1	(2.2)	(2.1)	–
At 31 December 2017	**13.2**	**31.1**	**187.0**	**231.3**	**9.8**
Net book value					
At 31 December 2017	**22.9**	**20.8**	**111.9**	**155.6**	**23.4**
At 31 December 2016	22.4	11.6	93.3	127.3	23.9

	Group				Company
	Freehold property £m	Leasehold property £m	Plant and equipment £m	Total £m	Freehold property £m
Cost					
At 31 December 2015	34.8	35.6	217.3	287.7	32.6
Acquisitions (Note 25)	–	–	0.6	0.6	–
Additions	0.1	1.2	24.8	26.1	0.3
Disposals	(0.1)	–	(6.1)	(6.2)	–
Currency translation	0.1	2.7	26.6	29.4	–
At 31 December 2016	34.9	39.5	263.2	337.6	32.9
Depreciation					
At 31 December 2015	11.7	24.3	137.3	173.3	8.2
Charge for the year	0.7	2.2	19.4	22.3	0.8
Disposals	–	–	(3.9)	(3.9)	–
Impairment (Note 5)	–	–	2.4	2.4	–
Currency translation	0.1	1.4	14.7	16.2	–
At 31 December 2016	12.5	27.9	169.9	210.3	9.0
Net book value					
At 31 December 2016	22.4	11.6	93.3	127.3	23.9
At 31 December 2015	23.1	11.3	80.0	114.4	24.4

As set out in Note 5, the impairment of fixed assets of £2.4m in the prior year relates to the Aviation cargo business in the Netherlands where the assets were fully impaired.

Notes to the Accounts continued

13. Investments

2017	Group: Interest in joint ventures £m	Group: Interest in associates £m	Group: Other £m	Group: Total £m	Company: Subsidiaries £m
Net book value					
At 31 December 2016	**30.3**	**0.4**	**0.2**	**30.9**	**292.6**
Share of profits after tax	**7.8**	**–**	**–**	**7.8**	**–**
Dividends received during the year	**(7.3)**	**–**	**–**	**(7.3)**	**–**
Additions	**–**	**–**	**–**	**–**	**13.5**
Loan repaid	**(2.8)**	**–**	**–**	**(2.8)**	**–**
Currency translation	**(0.9)**	**–**	**–**	**(0.9)**	**–**
At 31 December 2017	**27.1**	**0.4**	**0.2**	**27.7**	**306.1**

2016	Group: Interest in joint ventures £m	Group: Interest in associates £m	Group: Other £m	Group: Total £m	Company: Subsidiaries £m
Net book value					
At 31 December 2015	26.1	0.1	0.2	26.4	291.0
Share of profits after tax	7.5	–	–	7.5	–
Dividends received during the year	(6.3)	–	–	(6.3)	–
Additions	–	0.4	–	0.4	–
Loan repaid	–	(0.3)	–	(0.3)	–
Currency translation	3.3	0.2	–	3.5	1.6
Other	(0.3)	–	–	(0.3)	–
At 31 December 2016	30.3	0.4	0.2	30.9	292.6

Material joint ventures

2017	EM News Distribution (NI) Ltd £m	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Country of incorporation	United Kingdom	India	India	India	China
Statutory year end	31 December	31 March	31 March	31 March	31 December
Business activity	Distribution of newspapers and magazines in Northern Ireland	Ramp and passenger services in Hyderabad	Cargo handling services in Bangalore	Cargo handling services in Hyderabad	Ramp, passenger and cargo handling in Macau
Interest held – ordinary shares	50%	51%	49%	49%	29%
Interest held – preference shares	0%	0%	100%	100%	0%
Group's share of total comprehensive income	78%	51%	49%	49%	29%
Group's share of net assets	–(ii)	47%	69%	54%	29%
Summarised Balance Sheet					
Current assets(i)	–	5.7	12.3	5.7	9.5
Non-current assets	–	0.6	4.6	6.8	7.3
Current liabilities	–	(0.7)	(1.8)	(0.1)	(5.9)
Non-current liabilities	–	–	–	–	(0.1)
Net assets	–	5.6	15.1	12.4	10.8

Notes:

(i) Includes cash and cash equivalents	–	3.8	10.3	3.9	4.0

(ii) Following the step acquisition set out in Note 25 this entity is no longer a joint venture undertaking at 31 December 2017.

	EM News Distribution (NI) Ltd £m	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Reconciliation of net assets to carrying value					
Net assets	–	5.6	15.1	12.4	10.8
Partners' share of net assets	–	(3.0)	(4.7)	(5.7)	(7.6)
Unpaid dividends	–	3.2	–	–	–
Carrying amount of the investment	–	5.8	10.4	6.7	3.2
Summarised Income Statement					
Revenue	24.7	3.8	14.3	10.9	36.9
Depreciation and amortisation	–	(0.1)	(0.9)	(0.3)	(1.1)
Other operating costs	(24.0)	(3.2)	(7.6)	(7.1)	(26.5)
Interest income	–	0.3	0.6	1.0	–
Income tax	(0.1)	(0.1)	(1.8)	(1.1)	(1.1)
Profit from continuing operations	0.6	0.7	4.6	3.4	8.2
Comprehensive income for the year	0.6	0.7	4.6	3.4	8.2
Group's share of total comprehensive income	0.5	0.4	2.2	1.8	2.4
Group's carrying amount of the investment					
At 31 December 2016	3.5	5.7	11.0	5.9	3.2
Group's share of total comprehensive income	0.5	0.4	2.3	1.7	2.4
Dividends received during the year	(1.4)	(0.2)	(2.6)	(0.7)	(2.1)
Loan repaid	(2.6)	–	–	–	–
Currency translation	–	(0.1)	(0.3)	(0.2)	(0.3)
At 31 December 2017	**–**	**5.8**	**10.4**	**6.7**	**3.2**

Notes to the Accounts continued

13. Investments continued

2016	EM News Distribution (NI) Ltd £m	Menzies Bobba Ground Handling Services Private Ltd £m	Menzies Aviation Bobba (Bangalore) Private Ltd £m	Hyderabad Menzies Air Cargo Private Ltd £m	Menzies Macau Airport Services Ltd £m
Interest held – ordinary shares	50%	51%	49%	49%	29%
Interest held – preference shares	0%	0%	100%	100%	0%
Group's share of total comprehensive income	78%	51%	49%	49%	29%
Group's share of net assets	69%	47%	76%	58%	29%
Summarised Balance Sheet					
Current assets(i)	9.2	5.6	11.3	8.5	9.7
Non-current assets	0.7	0.3	5.3	4.1	7.2
Current liabilities	(4.8)	(0.5)	(2.0)	(1.9)	(6.2)
Net assets	5.1	5.4	14.6	10.7	10.7
Note:					
(i) Includes cash and cash equivalents	0.1	3.9	9.8	3.9	2.2
Reconciliation of net assets to carrying value					
Net assets	5.1	5.4	14.6	10.7	10.7
Partners' share of net assets	(1.6)	(2.9)	(3.6)	(4.8)	(7.5)
Unpaid dividends	–	3.2	–	–	–
Carrying amount of the investment	3.5	5.7	11.0	5.9	3.2
Summarised Income Statement					
Revenue	58.6	2.5	12.3	9.4	33.3
Depreciation and amortisation	(0.2)	(0.3)	(0.9)	(0.2)	(1.0)
Other operating costs	(56.3)	(2.1)	(6.3)	(5.8)	(24.0)
Interest income	–	0.3	0.6	0.4	–
Income tax	(0.4)	–	(1.6)	(0.8)	(1.0)
Profit from continuing operations	1.7	0.4	4.1	3.0	7.3
Comprehensive income for the year	1.7	0.4	4.1	3.0	7.3
Group's share of total comprehensive income	1.4	0.2	2.1	1.4	2.1
Group's carrying amount of the investment					
At 31 December 2015	3.5	5.3	9.6	4.2	2.9
Group's share of total comprehensive income	1.4	0.2	2.1	1.4	2.1
Dividends received during the year	(1.4)	(0.1)	(2.1)	(0.4)	(2.3)
Currency translation	–	0.3	1.4	0.7	0.5
At 31 December 2016	3.5	5.7	11.0	5.9	3.2

Group's individually immaterial joint ventures and associates

	2017 £m	2016 £m
Carrying amount of interests in joint ventures and associates	**1.4**	1.4
Share of profit from continuing operations	**0.5**	0.3
Currency translation	**–**	0.6
Total comprehensive income	**0.5**	0.9

The listing of joint venture and associates, along with all subsidiary undertakings, is presented on pages 161 to 176.

14. Deferred Tax

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Deferred tax assets				
Retirement benefit obligation	**8.4**	12.1	**7.2**	12.1
Share-based payments	**1.3**	0.6	**0.2**	0.2
Tax losses	**5.9**	5.8	**0.6**	–
Other temporary differences	**8.6**	5.8	**0.4**	0.7
	24.2	24.3	**8.4**	13.0
Deferred tax liabilities				
Intangible assets	**(4.6)**	–	**–**	–
Overseas tax on unremitted earnings	**–**	(2.4)	**–**	–
Other overseas temporary differences	**(0.1)**	(0.4)	**–**	–
Accelerated capital allowances and other temporary differences	**–**	(0.1)	**(2.6)**	(2.9)
	(4.7)	(2.9)	**(2.6)**	(2.9)
Recognised in Balance Sheet				
Deferred tax asset	**24.2**	24.2	**5.8**	10.1
Deferred tax liability	**(4.7)**	(2.8)	**–**	–
	19.5	21.4	**5.8**	10.1
Movement in net deferred tax assets in the year:				
Income Statement: retirement benefit obligation	**(1.0)**	(1.6)	**(0.9)**	(1.6)
Income Statement: other	**2.0**	2.1	**0.6**	0.5
Exchange adjustments	**(0.7)**	1.3	**–**	–
Movement on acquisition	**(2.6)**	(0.2)	**–**	–
Reclassification of corporation tax	**2.4**	3.6	**–**	2.5
Tax related to items (credited)/charged outside Income Statement	**(2.0)**	5.5	**(4.0)**	5.9
	(1.9)	10.7	**(4.3)**	7.3

The value of unremitted earnings of the Group's subsidiaries on which no deferred tax liability has been provided is £20.1m (2016: £11.1m). No deferred tax liability has been recognised on the basis that the Group can control the timing of the remittance of these reserves and there are currently no plans for these reserves to be remitted.

Notes to the Accounts continued

15. Trade and Other Receivables

	Group 2017 £m	Group 2016(i) £m	Company 2017 £m	Company 2016(i) £m
Trade receivables	**287.5**	199.7	**–**	–
Less: sales returns	**(23.7)**	(18.8)	**–**	–
Less: provision for doubtful debts	**(4.4)**	(3.8)	**–**	–
Net trade receivables	**259.4**	177.1	**–**	–
Accrued income	**34.8**	21.8	**0.3**	1.4
Consortium related receivables	**27.4**	–	**–**	–
Other receivables	**11.5**	7.2	**0.5**	1.0
Prepayments	**17.1**	18.7	**4.2**	5.2
Amounts owed by Group companies	**–**	–	**499.5**	337.8
	350.2	224.8	**504.5**	345.4

The average credit period on sale of goods is 42 days (2016: 36 days). Interest is not charged on trade receivables.

Consortium related receivables include re-billable expenses and restricted cash related to fuel farm management services. Restricted cash represents funding received from customers and held in a fiduciary capacity to be used on their behalf to satisfy fuel farm management expenses within 12 months and is therefore classified as a current asset.

Note:
(i) As set out in Note 28 trade receivables at 31 December 2016 have been reduced by £18.8m to recognise a returns liability within the Distribution Division.

Ageing of net trade receivables

	Neither past due nor impaired £m	Past due not impaired 31–60 days £m	Past due not impaired 61–90 days £m	Past due not impaired over 90 days £m	Total £m
2017	**183.3**	**51.4**	**12.1**	**12.6**	**259.4**
2016(i)	133.0	35.2	4.9	4.0	177.1

Provision for doubtful debts

	Group 2017 £m	Group 2016 £m
At beginning of year	**3.8**	3.2
Amounts provided	**1.8**	1.4
Amounts released	**(0.5)**	(0.4)
Amounts utilised	**(0.7)**	(0.5)
Currency translation	**–**	0.1
At end of year	**4.4**	3.8

Ageing of impaired receivables

	Group 2017 £m	Group 2016 £m
0 to 30 days	**0.6**	0.3
31 to 60 days	**0.5**	0.3
61 to 90 days	**0.3**	0.7
Over 90 days	**3.0**	2.5
	4.4	3.8

The other classes within trade and other receivables do not include impaired assets. The Directors consider that the carrying value of trade and other receivables approximates to fair value.

16. Trade and Other Payables

	Group 2017 £m	Group 2016(i) £m	Company 2017 £m	Company 2016(i) £m
Due within one year				
Trade payables	**119.4**	100.8	**–**	–
Less: sales returns	**(20.2)**	(15.7)	**–**	–
Net trade payables	**99.2**	85.1	**–**	–
Accruals	**164.1**	116.1	**17.0**	17.2
Deferred income	**3.1**	2.0	**–**	–
Consortium related payables	**39.1**	–	**–**	–
Other payables	**32.7**	27.1	**3.6**	2.3
Other taxes and social security costs	**6.6**	3.9	**–**	–
Amounts owed to Group companies	**–**	–	**317.4**	297.6
	344.8	234.2	**338.0**	317.1
Due after more than one year				
Other payables	**4.6**	4.0	**–**	4.9

The Directors consider that the carrying value of trade and other payables approximates to fair value.

Consortium related payables comprise fuel farm payables and related working fund payables.

Included within other payables is contingent consideration and other contingent acquisition related amounts as disclosed in Note 17. Such amounts included within other payables due within one year are £0.4m (2016: £Nil) and other payables due after more than one year are £3.6m (2016: £3.4m).

Note:
(i) As set out in Note 28 trade payables at 31 December 2016 have been reduced by £15.7m to recognise a sales returns receivable within the Distribution Division.

Notes to the Accounts continued

17. Financial Instruments

Derivative financial instruments

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Cash flow hedges:				
Foreign exchange forward contracts	**0.1**	(0.4)	**0.1**	(0.4)
Interest rate swaps	**0.9**	–	**0.9**	–
Foreign currency net investment hedges:				
Foreign exchange forward contracts	**0.5**	(5.3)	**0.5**	(5.3)
Net fair value	**1.5**	(5.7)	**1.5**	(5.7)
Current value	**0.6**	(5.7)	**0.6**	(5.7)
Non-current value	**0.9**	–	**0.9**	–
	1.5	(5.7)	**1.5**	(5.7)

The Group only enters into derivative financial instruments that are designated as hedging instruments. The fair values of foreign currency instruments are calculated by reference to current market rates.

Fair value hierarchy

As at 31 December 2017 the Group held the following financial instruments measured at fair value. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Derivative financial instruments adjusted to fair value through the Other Comprehensive Income Statement

2017	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets:				
Foreign exchange contracts – hedged	**–**	**1.1**	**–**	**1.1**
Interest rate swaps – hedged	**–**	**0.9**	**–**	**0.9**
Financial liabilities:				
Foreign exchange contracts – hedged	**–**	**0.5**	**–**	**0.5**

2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets:				
Foreign exchange contracts – hedged	–	0.4	–	0.4
Financial liabilities:				
Foreign exchange contracts – hedged	–	6.1	–	6.1

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Cash flow hedges

Foreign Exchange Forward Contracts

At 31 December 2017 the Group held foreign currency forward contracts designed as hedges of transaction exposures arising from revenue in foreign currencies. These contracts were in line with the Group's policy to hedge significant forecast transaction exposures for a maximum 18 months forward. The cash flow hedges for revenue in foreign currencies were assessed to be highly effective.

The cash flow hedge reserve records the portion of the gains or losses on hedging instruments used as cash flow hedges that are determined to be effective.

Interest Rate Swaps

The Group's policy is to minimise exposures to interest rate risk by ensuring an appropriate balance of long-term and short-term floating rates. During 2017 the Group entered into US$125m of interest rate swaps with an amortising profile to match 50% of the US$250m term loan maturing in June 2021. At 31 December 2017, 34.9% (2016: 8.6%) of the Group's borrowings were fixed.

	2017 Assets £m	**2017 Liabilities £m**	2016 Liabilities £m
Fair value of cash flow hedges – currency forward contracts	**0.3**	**(0.2)**	(0.4)
Fair value of cash flow hedges – interest rate swaps	**0.9**	**–**	–
	1.2	**(0.2)**	(0.4)
Current value	**0.3**	**(0.2)**	(0.4)
Non-current value	**0.9**	**–**	–
	1.2	**(0.2)**	(0.4)

For 2017, if interest rates on Sterling denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.4m (2016: £0.6m) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

For 2017, if interest rates on US dollar denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £0.5m (2016: £Nil) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Accounts continued

17. Financial Instruments continued

Foreign Currency Net Investment Hedges

The Group's policy is to hedge the exposure of foreign currency denominated assets to minimise foreign exchange risk. This is primarily achieved using forward contracts denominated in the relevant foreign currencies. Gains or losses on the retranslation of these hedges are transferred to reserves to offset any gains or losses on translation of the net investments in the subsidiary undertakings.

The notional principal amounts of the outstanding forward foreign exchange contracts are:

	Currency value		Sterling equivalent	
	2017 m	2016 m	**2017 £m**	2016 £m
Australian dollar	**23.9**	24.0	**13.8**	14.1
Canadian dollar	**5.5**	5.5	**3.2**	3.3
Colombian peso	**4,000**	4,000	**1.0**	1.1
Czech koruna	**115.0**	115.0	**4.0**	3.6
Danish krone	**10.0**	10.0	**1.2**	1.1
Euro	**3.6**	9.6	**3.2**	8.2
Indian rupee	**810**	810	**9.4**	9.7
Mexican peso	**51.0**	51.0	**1.9**	2.0
New Zealand dollar	**6.0**	3.0	**3.2**	1.7
Norwegian krone	**35.0**	7.0	**3.2**	0.7
South African rand	**30.0**	30.0	**1.8**	1.8
Swedish krona	**50.0**	50.0	**4.5**	4.5
US dollar	**–**	41.5	**–**	33.6

Following the acquisition of ASIG in February 2017 and the related draw down of US dollar denominated debt, the Group no longer enters into US dollar denominated forward foreign exchange contracts.

	2017		2016	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Fair value of foreign currency net investment hedges	**0.8**	**(0.3)**	0.4	(5.7)
Current value	**0.8**	**(0.3)**	0.4	(5.7)

Other financial instruments

Contingent Consideration

As set out in Note 25, in the current year the Group acquired the share capital of Gold Coast Air Terminal Services Pty Ltd in Queensland, Australia. The final purchase price included earn out targets which, should these be met, will require the Group to pay the vendor up to an additional £0.4m in each of March 2018 and March 2019. The earn out targets are based on annualised EBITDA levels and, should the minimum target not be met, no further payment would be required. The difference between the fair value at the date of acquisition and the maximum payable contingent consideration is not considered to be material. Management expects that the target will be met and therefore the full contingent consideration has been provided for.

The acquisition of PlaneBiz 2015 Ltd in 2014 included options in relation to the 40% shareholding owned by a third party. These options take the form of a put option in favour of the third party shareholders for up to 30% of the share capital, exercisable in 2018 and 2019. Following the expiry of this put option the Group then has a call option, exercisable for a 60 day period, for the remaining shares that have not been exercised under the put option. The fair value of the put option has been calculated based on the expected discounted cash flows of the underlying value, which is the expected average annual EBITDA over the preceding three years multiplied by 5.5. The call option is considered to have a negligible fair value.

The liabilities for contingent consideration and other acquisition related amounts are Level 3 derivative financial instruments.

	2017 £m	2016 £m
Fair value of contingent acquisition related amounts:		
PlaneBiz 2015 Ltd	**3.2**	3.4
Gold Coast Air Terminal Services Pty Ltd	**0.8**	–

Interest-Bearing Loans and Borrowings

		Group		Company	
	Maturity	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Bank overdrafts	On demand	**1.9**	0.8	**0.1**	0.5
Obligations under finance leases	June 2018	**–**	0.2	**–**	–
Amortising Sterling term loan	March 2020	**7.1**	10.0	**7.1**	10.0
Non-amortising Sterling bank loans	June 2021	**93.6**	91.3	**93.6**	91.3
Amortising US dollar term loan	June 2021	**184.7**	–	**184.7**	–
Preference shares	Non-redeemable	**1.4**	1.4	**1.4**	1.4
		288.7	103.7	**286.9**	103.2
Current value		**5.1**	39.0	**3.3**	38.5
Non-current value		**283.6**	64.7	**283.6**	64.7
		288.7	103.7	**286.9**	103.2

To fund the acquisition of ASIG, the Group put in place in September 2016 unsecured, committed bank loans that were conditional on the acquisition occurring. These facilities were drawn down in February 2017 and, as well as funding the ASIG acquisition, were used to refinance all existing bank loans. The new facilities were drawn down on 1 February 2017 and comprise a US$250m term loan and a £150m revolving credit facility, both with a maturity of June 2021. At 31 December 2017 the average interest rates on these US dollar and Sterling loans were 3.6% and 2.5%, respectively.

Non-amortising bank loans are drawn against unsecured, committed revolving bank credit facilities maturing in June 2021.

The amortising Sterling term loan is repayable between 2018 and 2020 with interest payable at a fixed rate of 6.23%. The loan has a weighted average maturity of one year (2016: two years).

The amortising US dollar term loan is repayable between 2019 and 2021. The loan has a weighted average maturity of three years.

The Company has issued 1,394,587 cumulative preference shares of £1 each. These shares are not redeemable and pay an interest coupon of 9% semi-annually.

Net Debt

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Interest-bearing loans and borrowings	**288.7**	103.7	**286.9**	103.2
Derivative financial instruments	**(1.5)**	5.7	**(1.5)**	5.7
Total borrowings	**287.2**	109.4	**285.4**	108.9
Less: cash at bank, cash in hand and short-term deposits	**72.8**	38.9	**5.0**	1.0
	214.4	70.5	**280.4**	107.9

Notes to the Accounts continued

17. Financial Instruments continued

Other financial instruments continued

At 31 December 2017, the book and fair values of net debt are:

	2017 Book value £m	2017 Fair value £m	2016 Book value £m	2016 Fair value £m
Short-term borrowings	3.2	3.4	38.0	38.2
Medium-term borrowings	14.1	14.3	63.3	64.0
Long-term borrowings	269.5	269.5	1.4	1.4
Derivative financial instruments	(1.5)	(1.5)	5.7	5.7
Finance leases	–	–	0.2	0.2
Bank overdrafts	1.9	1.9	0.8	0.8
Total financial liabilities	287.2	287.6	109.4	110.3
Less: cash at bank, cash in hand and short-term deposits	72.8	72.8	38.9	38.9
Net debt	214.4	214.8	70.5	71.4

The fair value of the fixed term, amortising borrowing is calculated as the present value of all future cash flows discounted at prevailing market rates.

Other than trade and other receivables and payables, there are no financial assets or liabilities excluded from the above analysis. No financial assets or liabilities were held or issued for trading purposes.

A separate table has not been prepared analysing the Company's book values and fair values. The £1.8m difference in book values relates to interest bearing loans and borrowings and is deemed to be short-term in nature.

At 31 December 2017, the currency and interest rate profile of financial liabilities was:

	2017 Floating rate financial liabilities £m	2017 Fixed rate financial liabilities £m	2017 Total £m	2016 Floating rate financial liabilities £m	2016 Fixed rate financial liabilities £m	2016 Total £m
Sterling denominated	95.4	8.5	103.9	92.3	11.4	103.7
Dollar denominated	92.4	92.4	184.8	–	–	–
Net derivative (assets)/ liabilities	(1.5)	–	(1.5)	5.7	–	5.7
	186.3	100.9	287.2	98.0	11.4	109.4

At 31 December 2017, the expiry profile of undrawn committed facilities was:

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Between one and two years	–	68.7	–	68.7
Between two and five years	56.5	–	56.5	–
	56.5	68.7	56.5	68.7

Trade and Other Receivables and Payables

Trade and other receivables and trade and other payables carrying values of £270.9m (2016: £184.3m restated) and £296.0m (2016: £228.3m restated), respectively, in respect of the Group, and £500.0m and £338.0m (2016: £338.8m and £317.1m) in respect of the Company, approximate their fair values due to their short-term nature.

Sensitivity and Risk Information

Foreign Currency Sensitivity

For 2017, if Sterling had weakened/strengthened by 10% on currencies that have a material impact on the Group profit before tax and equity, with all other variables held constant the effect would have been:

	Changes in rate	2017 Effect on profit before tax £m	2017 Effect on equity £m	2016 Effect on profit before tax £m	2016 Effect on equity £m
US dollar	+10%	2.0	1.6	1.5	3.8
US dollar	–10%	(1.6)	(1.3)	(1.2)	(3.1)
Australian dollar	+10%	1.4	1.6	1.0	1.8
Australian dollar	–10%	(1.2)	(1.3)	(0.8)	(1.5)
Euro	+10%	1.1	(0.8)	0.5	–
Euro	–10%	(0.9)	0.7	(0.4)	–
Indian rupee	+10%	0.7	1.3	0.6	1.3
Indian rupee	–10%	(0.6)	(1.1)	(0.5)	(1.0)
Canadian dollar	+10%	0.5	0.7	0.3	0.5
Canadian dollar	-10%	(0.4)	(0.6)	(0.2)	(0.4)
South African rand	+10%	–	0.5	(0.1)	0.8
South African rand	–10%	–	(0.4)	0.1	(0.7)

The impact of the Group's exposure to all other foreign currencies is not considered to be material to the overall results of the Group.

Capital Risk

The Group manages its capital structure in order to minimise the cost of capital whilst ensuring that it has access to ongoing sources of finance such as the debt capital markets. The Group defines capital as the sum of net debt (see Note 19) and equity attributable to equity holders of the Company (see Group and Company Statement of Changes in Equity). The only externally imposed capital requirements for the Group are debt to EBITDA and interest cover under the terms of the bank facilities, with which the Group has fully complied during both the current year and the prior year. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders and/or issue new shares.

Credit Risk

The Group considers its exposure to credit risk at 31 December to be:

	Group 2017 £m	Group 2016(i) £m	Company 2017 £m	Company 2016 £m
Bank deposits	72.8	38.9	5.0	1.0
Trade receivables	259.4	177.1	–	–
	332.2	216.0	5.0	1.0

Note:
(i) As set out in Note 28 trade and other receivables at 31 December 2016 have been restated.

For banks and financial institutions, the Group's policy is to transact with independently rated parties with a minimum rating of 'A'. If there is no independent rating, the Group assesses the credit quality of the counterparty taking into account its financial position, past experience and other factors.

In addition to the relevant items above, the Company is exposed to credit risk in relation to on demand amounts owed by Group companies.

Notes to the Accounts continued

17. Financial Instruments continued

Other financial instruments continued

Liquidity Risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. The following is an analysis of the maturity of the Group's financial liabilities and derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Floating rate interest is estimated using the prevailing rate at the balance sheet date. Net values of transaction hedging are disclosed in accordance with the contractual terms of these derivative instruments.

2017	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	**14.6**	**23.3**	**281.7**	**–**
Preference shares	**0.1**	**0.1**	**0.4**	**1.5**
Trade and other payables	**131.9**	**4.6**	**–**	**–**
Financial derivatives	**50.3**	**(0.1)**	**(0.2)**	**–**
	196.9	**27.9**	**281.9**	**1.5**

2016(i)	Due under 1 year £m	Due between 1 and 2 years £m	Due between 2 and 5 years £m	Due over 5 years £m
Interest-bearing loans and borrowings	40.2	60.8	6.8	–
Preference shares	0.1	0.1	0.4	1.5
Other liabilities	0.1	0.1	–	–
Trade and other payables(i)	112.2	4.0	–	–
Financial derivatives	85.6	–	–	–
	238.2	65.0	7.2	1.5

Note:
(i) As set out in Note 28 trade and other payables at 31 December 2016 have been restated.

18. Cash Generated from Operations

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Operating profit/(loss) before joint ventures and associates	**31.4**	20.1	**(2.3)**	(4.1)
Depreciation	**27.8**	22.3	**0.8**	0.8
Amortisation of intangible assets	**13.9**	11.1	**–**	–
Share-based payments	**1.4**	0.7	**1.4**	0.7
Non-exceptional onerous lease provision (release)/charge	**(0.8)**	1.6	**–**	–
Cash spend on onerous leases	**(1.0)**	(1.5)	**–**	–
Gain on sale of property, plant and equipment	**(0.1)**	(0.1)	**–**	–
Pension charge	**2.2**	3.5	**–**	–
Pension credit	**–**	(0.3)	**–**	–
Pension contributions in cash	**(12.5)**	(14.0)	**(12.5)**	(14.0)
Acquisition and related exceptional items	**27.1**	9.1	**10.5**	4.1
Cash spend on exceptional items	**(21.1)**	(9.9)	**(7.3)**	(3.3)
Acquisition related earn-out adjustment	**–**	(0.3)	**–**	–
Net impairment loss	**–**	9.6	**–**	–
Increase in inventories	**(4.9)**	(1.3)	**–**	–
Increase in trade and other receivables	**(25.4)**	(37.3)	**–**	–
Increase in trade and other payables and provisions	**32.2**	32.8	**–**	–
	70.2	46.1	**(9.4)**	(15.8)

19. Changes in Net Borrowings

	2016 £m	Cash flows £m	Subsidiaries acquired £m	Fair value movements £m	Currency translation £m	2017 £m
Cash at bank and in hand	38.9	22.7	12.9	–	(1.7)	**72.8**
Bank overdrafts	(0.8)	(1.1)	–	–	–	**(1.9)**
Net cash and cash equivalents	38.1	21.6	12.9	–	(1.7)	**70.9**
Bank loans due within one year	(38.0)	34.8	–	–	–	**(3.2)**
Preference shares	(1.4)	–	–	–	–	**(1.4)**
Finance leases	(0.2)	0.2	–	–	–	**–**
Debt due after one year	(63.3)	(231.8)	–	–	12.9	**(282.2)**
Net derivative liabilities	(5.7)	4.7	–	2.5	–	**1.5**
Net debt	(70.5)	(170.5)	12.9	2.5	11.2	**(214.4)**

As set out in the cash flow statement, proceeds from borrowings were £293.4m (2016: £Nil) and repayments of borrowings were £101.3m (2016: £64.0m).

Currency translation movements result from the Group's policy of hedging its overseas net assets, which are denominated mainly in US dollars, Euros and Australian dollars. The translation effect on net debt is offset by the translation effect on net assets resulting in an overall net exchange loss of £1.4m (2016: gain of £16.9m). The net loss is recognised in other comprehensive income.

20. Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are:

	Group Property 2017 £m	Group Property 2016 £m	Group Other 2017 £m	Group Other 2016 £m
Within one year	**35.4**	33.0	**39.2**	32.0
Between one and five years	**61.4**	63.4	**67.2**	53.9
After five years	**47.3**	29.5	**7.1**	0.1
	144.1	125.9	**113.5**	86.0

The implementation of IFRS 16 Leases in 2019 will remove the distinction between operating leases and finance leases and bring most of the assets subject to lease on to the Balance Sheet as fixed assets with the corresponding liability shown as debt. This will materially gross up the Balance Sheet with the recognition of a new right of use asset which will be depreciated through the Income Statement and a lease liability on which interest will be charged through the Income Statement.

Property commitments relate to leases of offices and buildings around the world. Other commitments primarily relate to leases of equipment and vehicles which generally have a contractual period of three years.

21. Capital Commitments

	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Contracted but not provided – property, plant and equipment	**0.8**	1.3	**–**	–

Notes to the Accounts continued

22. Provisions

	Property and equipment		Legal and employee related		Other		Group	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
At beginning of year	**5.9**	5.4	**2.2**	2.3	**0.1**	0.1	**8.2**	7.8
Provided/(released) during year	**0.4**	1.6	**2.8**	(0.4)	**0.3**	–	**3.5**	1.2
Unwind of discount	**–**	0.2	**–**	–	**–**	–	**–**	0.2
Utilised during year	**(1.2)**	(1.6)	**(0.3)**	(0.1)	**(1.4)**	–	**(2.9)**	(1.7)
Reclassification (to)/from accruals	**–**	–	**(1.1)**	0.4	**–**	–	**(1.1)**	0.4
Subsidiaries acquired	**1.0**	–	**4.2**	–	**6.1**	–	**11.3**	–
Currency translation (gain)/loss	**(0.1)**	0.3	**(0.4)**	–	**(0.2)**	–	**(0.7)**	0.3
At end of year	**6.0**	5.9	**7.4**	2.2	**4.9**	0.1	**18.3**	8.2
Current	**3.5**	3.0	**7.4**	1.1	**4.9**	0.1	**15.8**	4.2
Non-current	**2.5**	2.9	**–**	1.1	**–**	–	**2.5**	4.0
	6.0	5.9	**7.4**	2.2	**4.9**	0.1	**18.3**	8.2

The property related provisions are in respect of obligations for vacated leasehold properties where applicable sublet income may be insufficient to meet obligations under head leases. The provisions for property costs unwind over the period between 2018 and 2042. Other provisions include warranty claims, onerous contracts and redundancy costs.

The Company carries an onerous lease provision of £2.7m (£0.9m current and £1.8m non-current) which was transferred during the year from a subsidiary undertaking. In the prior year the Company also carried a £1.1m non-current provision relating to a legal claim that was reclassified to accruals during the year.

Contingent liabilities
The Group has a number of claims in the normal course of business that management believes should not result in a material impact to the accounts. These include pre-acquisition claims against ASIG that management expects to be largely recoverable from the previous owners.

23. Retirement Benefit Obligation

Defined benefit scheme
The principal Group-funded defined benefit pension scheme is the Menzies Pension Fund (the Fund) in the United Kingdom to which employees have contributed until the Fund closed to future accrual on 31 March 2017.

On 31 May 2017 the Fund and was split into two sections such that the Company was the principal employer for Section A and Menzies Distribution Ltd was the principal and sole employer for Section B. £64.3m of assets and £71.8m of liabilities in respect of a group of pensioner members of the Fund were transferred from Section A to Section B on 30 June 2017. Going forward the two sections of the Fund will have separate funding and investment strategies but will continue to be governed by the Fund Rules.

In accordance with IAS 19 the scheme valuations were assessed in accordance with independent actuarial advice from PricewaterhouseCoopers (the Actuary).

Fund financial assumptions and information
The Actuary undertook a valuation of the Fund as at 31 December 2017 (2016: 31 December 2016) based on the Fund's membership data as at 31 March 2017. In deriving the results the Actuary used the following financial assumptions:

	2017			2016[i]
	Section A %	**Section B %**	**Group %**	Group %
Price inflation	**3.1**	**3.2**	**3.1**	3.3
Discount rate	**2.5**	**2.3**	**2.5**	2.7
Rate of increase on pensions accrued pre-2006	**3.6**	**3.6**	**3.6**	3.7
Rate of increase on pensions accrued post-2006	**2.2**	**2.2**	**2.2**	2.2

Assumptions regarding future mortality experience are set based on advice that uses published statistics and experience in the business.

The average future life expectancy for a pensioner aged 65 on the balance sheet date is:

	2017			2016[i]
	Section A Years	**Section B Years**	**Group Years**	Group Years
Male	**22**	**22**	**22**	22
Female	**23**	**23**	**23**	24

The average future life expectancy at age 65 for a non-pensioner aged 40 on the balance sheet date is:

	2017	2016[i]
	Section A and Group Years	Group Years
Male	**23**	24
Female	**24**	25

The membership of the Fund on the balance sheet date is:

	2017			2016[i]
	Section A	**Section B**	**Group**	Group
Active members[ii]	**–**	**–**	**–**	401
Deferred members	**3,556**	**–**	**3,556**	3,200
Pensioners	**1,639**	**509**	**2,148**	2,131
	5,195	**509**	**5,704**	5,732

The liability split of the Fund by membership on the balance sheet date is:

	2017			2016[i]
	Section A	**Section B**	**Group**	Group
Active members[ii]	**–**	**–**	**–**	18%
Deferred members	**59%**	**–**	**49%**	37%
Pensioners	**41%**	**100%**	**51%**	45%

Notes to the Accounts continued

23. Retirement Benefit Obligation continued

Fund financial assumptions and information continued

The average liability duration of the Fund by membership on the balance sheet date is:

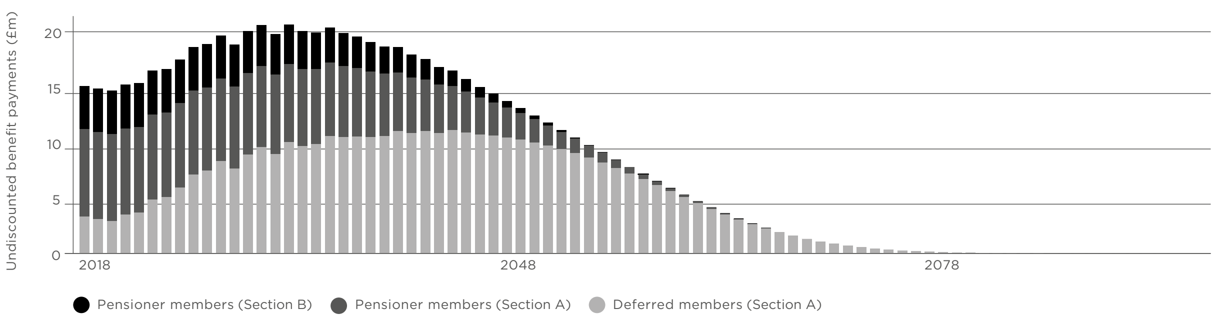
	2017			2016(i)
	Section A Years	Section B Years	Group Years	Group Years
Active members(ii)	–	–	–	23
Deferred members	21	–	21	23
Pensioners	12	11	12	13

Overall weighted average liability duration is 17 years (2016: 18 years).

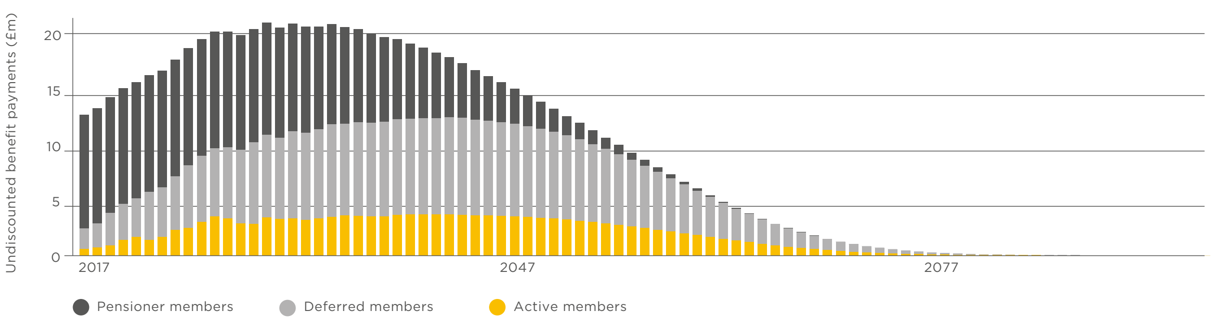
Notes:
(i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.
(ii) The Fund closed to future accrual on 31 March 2017 and therefore there are no active members at 31 December 2017.

Future Fund benefit payments

Estimated undiscounted benefit payments expected to be paid from the Fund over its life, derived from member data as at 31 March 2017, is:



The analysis presented in the prior year was:



Fair value of Fund assets and liabilities at balance sheet date

Section A	2017(i) Quoted £m	Unquoted(ii) £m	Total £m
Equities	120.1	–	120.1
Bonds	80.8	–	80.8
Investment funds	6.3	–	6.3
Liability driven investment funds	–	63.4	63.4
Property	–	26.4	26.4
Annuity contracts(iii)	–	6.1	6.1
Cash	6.4	–	6.4
Other	0.4	–	0.4
Assets	214.0	95.9	309.9
Defined benefit obligation			(352.4)
Recognised in Balance Sheet			(42.5)
Related deferred tax asset (Note 14)			7.2
Net retirement obligation			(35.3)

Section B	2017(i) Quoted £m	Unquoted(ii) £m	Total £m
Liability driven investment funds	–	64.0	64.0
Cash	0.5	–	0.5
Assets	0.5	64.0	64.5
Defined benefit obligation			(71.5)
Recognised in Balance Sheet			(7.0)
Related deferred tax asset			1.2
Net retirement obligation			(5.8)

Notes to the Accounts continued

23. Retirement Benefit Obligation continued

Fair value of Fund assets and liabilities continued

Group	2017 Quoted £m	2017 Unquoted[ii] £m	2017 Total £m	2016 Quoted £m	2016 Unquoted[ii] £m	2016 Total £m
Equities	120.1	–	120.1	131.5	0.3	131.8
Bonds	80.8	–	80.8	92.0	–	92.0
Investment funds	6.3	–	6.3	6.3	–	6.3
Liability driven investment funds	–	127.4	127.4	–	77.2	77.2
Property	–	26.4	26.4	–	25.0	25.0
Annuity contracts[iii]	–	6.1	6.1	–	7.8	7.8
Cash	6.9	–	6.9	13.0	–	13.0
Other	0.4	–	0.4	3.4	12.4	15.8
Assets	214.5	159.9	374.4	246.2	122.7	368.9
Defined benefit obligation			(423.9)			(439.9)
Recognised in Balance Sheet			(49.5)			(71.0)
Related deferred tax asset (Note 14)			8.4			12.1
Net retirement obligation			(41.1)			(58.9)

Notes:
(i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.
(ii) The valuations of unquoted assets have been determined by reference to latest available manager valuation reports.
(iii) The Fund holds annuity contracts in respect of a number of members that provide cash flows to the Fund which match the benefit payments to these members.

The value of Fund liabilities at the balance sheet date at various assumptions are:

	2017 Section A £m	2017 Section B £m	2017 Group £m	2016[i] Group £m
0.5% decrease in discount rate	386.5	75.6	462.1	481.0
One year increase in life expectancy	366.1	75.1	441.2	454.4
0.5% decrease in inflation	334.8	70.1	404.9	425.2
0.25% increase in pensions	377.8	73.4	451.2	449.4

In relation to sensitivities, the Company recognises actuarial gains and losses immediately through the re-measurement of the net defined benefit liability.

Pension expense

The charge to the Income Statement is assessed in accordance with independent actuarial advice from the Actuary using the projected unit method.

The components of pension expense are:

	2017 Section A £m	2017 Section B £m	2017 Group £m	2016[i] Group £m
Amounts charged/(credited) to operating profit				
Current service cost	0.6	–	0.6	1.9
Administrative costs	1.5	0.1	1.6	1.6
Effect of curtailments and settlements	2.7	–	2.7	(0.3)
Total service cost	4.8	0.1	4.9	3.2
Amounts included in finance costs				
Interest cost on defined benefit obligation	10.6	0.9	11.5	13.9
Interest income on Fund assets	(8.9)	(0.8)	(9.7)	(12.3)
Net finance charge	1.7	0.1	1.8	1.6
Pension expense	6.5	0.2	6.7	4.8

As set out in Note 5, £2.7m of curtailment costs have been recognised as an exceptional cost in the current year (2016: £Nil).

The amounts recognised in the Statement of Comprehensive Income are:

	2017 Section A £m	2017 Section B £m	2017 Group £m	2016[i] Group £m
Returns on assets excluding interest income	17.0	1.2	18.2	48.9
Changes in demographic assumptions	7.1	–	7.1	4.7
Changes in financial assumptions	(5.5)	(0.7)	(6.2)	(93.3)
Experience	(3.1)	(0.3)	(3.4)	2.9
Actuarial gain/(loss)	15.5	0.2	15.7	(36.8)

Changes in Fund assets and defined benefit obligation

The change in scheme assets during the year is:

	2017 Section A £m	2017 Section B £m	2017 Group £m	2016[i] Group £m
Fair value of assets at start of year	–	–	368.9	312.4
Sectionalisation of the Fund	304.6	64.3	–	–
Interest income	8.9	0.8	9.7	12.3
Returns on assets excluding interest income	17.0	1.2	18.2	48.9
Company contributions	12.0	0.5	12.5	14.0
Employee contributions	0.2	–	0.2	0.7
Effect of settlements	–	–	–	(0.4)
Benefits and expenses paid	(32.8)	(2.3)	(35.1)	(19.0)
Fair value of assets at end of year	309.9	64.5	374.4	368.9
Return on scheme assets including interest income	25.9	2.0	27.9	61.2

Notes to the Accounts continued

23. Retirement Benefit Obligation continued

Changes in Fund assets and defined benefit obligation continued

The change in defined benefit obligation during the year is:

	2017			2016(i)
	Section A £m	Section B £m	Group £m	Group £m
Defined benefit obligation at start of year	–	–	439.9	355.8
Sectionalisation of the Fund	368.1	71.8	–	–
Total service cost	2.1	0.1	2.2	3.5
Exceptional curtailments	2.7	–	2.7	–
Interest cost	10.6	0.9	11.5	13.9
Effect of settlements	–	–	–	(0.7)
Employee contributions	0.2	–	0.2	0.7
Benefits and expenses paid	(32.8)	(2.3)	(35.1)	(19.0)
Changes in demographic assumptions	(7.1)	–	(7.1)	(4.7)
Changes in financial assumptions	5.5	0.7	6.2	93.3
Experience	3.1	0.3	3.4	(2.9)
Defined benefit obligation at end of year	352.4	71.5	423.9	439.9

Note:
(i) Prior year comparative information for the Company is not presented separately as the information set out for the Group was the same as that of the Company.

Benefits, regulatory framework and governance of the Fund

The Fund is a registered defined benefit career average revalued earnings scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Fund is operated under trust and, as such, the Trustee of the Fund is responsible for operating the Fund and it has a statutory responsibility to act in accordance with the Fund's Trust Deed and Rules, in the best interests of the beneficiaries of the Fund, and UK legislation, including trust law. The Trustee and the Company have the joint power to set the contributions that are paid to the Fund.

Risks of the Fund

The nature of the Fund exposes the Company to the risk of paying unanticipated additional contributions to the Fund in times of adverse experience.

The most financially significant risks are likely to be: the risk that movements in the value of the Fund's liabilities are not met by: corresponding movements in the value of the Fund's assets; lower than expected investment returns; members living for longer than expected; and higher than expected actual inflation and pension increase experience.

The sensitivity analysis disclosed above is intended to provide an indication of the impact on the value of the Fund's liabilities of the risks highlighted.

Asset-liability matching strategies

In the prior year the Trustee agreed to de-risk and increase hedging of liabilities on a gilts basis across interest rates (40% hedged) and inflation (30% hedged) using leveraged Liability Driven Investment (LDI) funds. This was funded by reducing the Fund's UK equity allocation and moving a proportion of the Fund's index-linked gilts into the LDI funds.

Following the sectionalisation of the Fund, the Trustees and the Company agreed new investment strategies tailored to each section's liability profile.

The Trustee's current investment strategy for Section A is to invest the majority of the Fund's assets in a mix of equities and bonds in order to strike a balance between maximising the returns on the Fund's assets and minimising the risks associated with lower than expected returns on the Fund's assets.

The Trustee has implemented a de-risking process for Section A assets such that the assets are gradually switched out of equities and into bonds as funding improves. This should lead to better matching of assets and liabilities as the Fund matures whilst at the same time locking in favourable asset performance. The Trustee is required to regularly review its investment strategy in light of the revised term and nature of the Fund's liabilities and will be next considering this as part of its 2018 triennial valuation exercise. The current benchmark is to hold 60% in growth assets such as equities and 40% in bonds including index-linked and fixed-interest Government bonds and corporate bonds. Section A has also increased the hedging of liabilities across interest rates (50% hedged) and inflation (50% hedged) using LDI.

Section B's assets are invested in a range of credit, LDI and corporate bonds that target matching the liabilities of Section B.

Funding arrangements and funding policy that affect future contributions

The triennial valuation process in which the Trustee and the Company agree the long term funding strategy was concluded in the prior year and a Schedule of Contributions agreed and dated 4 March 2016. The Schedule of Contributions sets out the additional contributions required to meet the funding shortfall between the value of the Fund's assets and liabilities. The additional contributions have been agreed as being nine annual contributions of £10.7m per annum rising with the higher of RPI or the annual percentage change in dividends and beginning in the year ended 31 March 2017 and continuing to the year ended 31 March 2025. The impact of changes in dividends applies if dividends paid are at least at the level of those paid in 2013.

The next triennial valuation of the Fund is effective as at 31 March 2018 and the Company and Trustee will look to agree revised long term funding strategies for Section A and Section B as part of this valuation. Specifically the Company and Trustee have an understanding that any deficit on a gilts funding measure in Section B as at 31 March 2018 will be funded over a five or six year period.

In total, the Company expects to contribute around £11.8m to the Fund during the year to 31 December 2018.

The Company has considered the accounting treatment under IFRIC 14 of the current deficit and the impact of the minimum funding requirement committed by the Company to 2025. A review of the Fund Rules has confirmed that the Group has an unconditional right to a refund of a projected future surplus at some point in the future. There is no requirement for the Group to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions.

Other information

Small settlements have occurred over the year. As set out in Note 5, £2.7m (2016: £Nil) of curtailment costs have been recognised as an exceptional cost.

24. Share Capital

	2017 £m	2016 £m
Allotted, called up and fully paid		
Opening – 83,636,895 ordinary shares of 25p each	20.9	15.4
Allotted under share option schemes(i)	0.1	–
Rights Issue	–	5.5
Closing – 83,955,951 ordinary shares of 25p each	21.0	20.9

Note:
(i) As a result of share scheme allotments, 329,600 (2016: 12,583) ordinary shares having a nominal value of £0.1m (2016: £Nil) were issued during the year at a share premium of £1.4m (2016: £0.1m).

Employees hold options to subscribe for shares in the Company under the Savings related Share Option Scheme approved by the shareholders, details of which are shown below. Options on 337,659 shares were exercised in 2017 and 330,127 options lapsed.

Notes to the Accounts continued

24. Share Capital continued

Year of grant	Exercise price	Exercise period	2017 Number	2016 Number
2013	557p	2016-2017	–	216,702
2014	437p	2017-2018	43,325	345,637
2015	309p	2018-2019	415,660	472,804
2016	424p	2019-2020	474,413	553,750
2017	567p	2021-2022	787,310	–
			1,720,708	1,588,893

Company share schemes

The Company operates the following share-based payment arrangements:

Savings Related Share Option Scheme

The Company operates a Savings related Share Option Scheme which is open to all full and part-time employees in the United Kingdom. Annual grants of options are made in September or October each year and become exercisable after three years. Employees enter into a savings contract with the Yorkshire Building Society who administers the scheme. The options are granted at a 20% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment due to ill health, redundancy or retirement.

Bonus Co-Investment Plan (BCIP)

The BCIP and, in 2016 onwards, the SMP offered Executive Directors and other Senior Executives selected by the Board the opportunity to invest part of their annual cash bonus for a financial year in the Company's shares, entitling them, provided certain performance targets are met, to a grant of additional matching shares. Since 2010 the ratio of matching shares to contributory shares has been set at 1:1. The maximum amount of the annual cash bonus which may be eligible for matching has been set at 40%. The net of tax amount is applied in the purchase of shares.

The first bonus award that qualified for investment in shares under the plan was the award for the financial year ended December 2004 and the last qualifying bonus award was for the financial year which commenced ten years after the adoption of the Plan. A revised plan was approved at the Annual General Meeting of the Company on 15 May 2014 and the SMP will be discontinued following 2017.

Performance targets are based on real growth in earnings measured over three financial years. For awards in 2014, if the percentage growth in the Company's Earnings Per Share is Retail Prices Index +3% p.a. or more, then the number of matching shares that will vest is one. For EPS growth of between RPI +0% p.a. and RPI +3% p.a., the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth of RPI +0% p.a. or less for any award. For awards in 2015, if the percentage growth in the Company's EPS is Consumer Prices Index +3% p.a. or more, then the number of matching shares that will vest is one. If the threshold growth in EPS is achieved (CPI +0%) then 25% of the matching shares will be paid. For EPS growth of between CPI +0% p.a. and CPI +3% p.a., the number of matching shares vesting will be calculated on a straight-line basis. No matching shares will vest for EPS percentage growth below CPI +0% p.a. for any award.

Long-Term Incentive Plan (LTIP)

The LTIP enables divisional and Senior Management to align more closely with the achievement of target Group and divisional financial results. A detailed description of this plan is included in the Directors' Remuneration Report on page 70.

Shares will vest at the end of three year financial periods. A £Nil award will be achieved where the financial results are below the threshold performance target, 25% if at threshold and 100% will vest where the results are equal to or greater than the stretch performance target, with a result between threshold and stretch being made on a straight-line basis. Actual performance targets for Executive Directors are disclosed in the Directors' Remuneration Report in the year following the expiry of the performance period.

Fair values of share options

Options are valued using the Black-Scholes option-pricing or Monte Carlo simulation models as appropriate. No performance conditions are included in the fair value calculations.

The fair value per option granted and the assumptions used in the calculation are:

	Savings related Option Scheme			
Date of grant (October)	2017	2016	2015	2014
Share price at grant date	709p	592p	412p	569p
Exercise price	567p	424p	309p	437p
Vesting period (years)	3	3	3	3
Expected volatility	33%	33%	33%	26%
Option life (years)	3.5	3.5	3.5	3.5
Expected life (years)	3.5	3.5	3.5	3.5
Risk-free rate	1.0%	1.0%	1.0%	1.4%
Expected dividends expressed as a dividend yield(i)	3.0%	3.0%	6.0%	3.7%
Fair value per option	184p	152p	90p	136p
Charge per option(ii)	129p	106p	63p	95p

The expected volatility is based on the historical volatility over the last three years. The expected life is the average expected period to vesting. The risk free rate of return is the zero coupon UK government bonds of a term consistent with the assumed award life.

Notes:
(i) Based on the daily 12 month trailing dividend yield averaged over the 12 months prior to valuation date.
(ii) The difference between the fair value and charge per option is due to adjustments for forfeiture risk.

	BCIP			LTIP		
Date of grant (March)	2017	2016	2015	2017	2016	2015
Share price at grant date	637p	478p	376p	579p	443p	404p
Contractual life (years)	3	3	3	3	3	3
Expected leavers	0%	0%	0%	0%	0%	0%
Expected outcome of meeting performance criteria	31%	51%	59%	n/a	n/a	56%
Fair value per share	199p	245p	220p	151p	169p	165p
Charge per share award(i)	199p	245p	220p	151p	169p	165p

Note:
(i) Adjusted for forfeiture risk.

Notes to the Accounts continued

24. Share Capital continued

Movement in share options

A reconciliation of conditional share movements of executive share options, savings related share options and all other share-based schemes is:

	Savings related Option Scheme			
	2017		2016	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at start of year	1,588,893	411	1,349,719	468
Granted	799,919	567	750,908	426
Forfeited/expired	(330,127)	449	(499,151)	465
Exercised	(337,659)	484	(12,583)	492
Outstanding at end of year	1,721,026	462	1,588,893	411
Exercisable	44,170		215,111	
Range of exercise prices		309-567		309-557
Weighted average remaining contractual life (years)	2.1		1.6	

	BCIP				LTIP			
	2017		2016		2017		2016	
	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)	Number	Weighted average price (pence)
Outstanding at start of year	38,719	461	53,522	577	1,034,867	451	1,159,966	527
Awards made	5,486	637	15,920	473	399,989	579	595,076	445
Lapsed	(436)	647	(30,723)	669	(123,017)	654	(720,175)	568
Exercised	(6,545)	647	–	–	(9,440)	654	–	–
Outstanding at end of year	37,224	452	38,719	461	1,302,399	470	1,034,867	451
Range of award date prices		376-637		376-647		404-579		404-654
Weighted average remaining contractual life (years)	0.9		1.4		1.1		2.3	

Charge for share-based incentive schemes

The total charge for the year relating to employee share-based plans was £1.4m (2016: £0.7m), all of which related to equity-settled share-based payment transactions. After tax the total charge was £1.1m (2016: £0.6m).

25. Acquisitions

During the year the Group acquired 100% of the share capital of ASIG Holdings Ltd and ASIG Holdings Corp. (together ASIG) and Gold Coast Air Terminal Services Pty Ltd, Gnewt Cargo Ltd and Farnair Handling Kft.

On 1 February 2017 the Group acquired ASIG, a leading Aviation Services business. The Group has acquired the business in order to provide comprehensive service solutions including into-plane fuelling, fuel farm management, ground handling, aircraft technical services, facilities equipment maintenance and de-icing at airports across seven countries in the Americas, Europe and Asia. These financial statements include the impact of 11 months' trading results.

On 3 May 2017 the Group acquired Gold Coast Air Terminal Services Pty Ltd, a company based in Australia. The Group has acquired the company to expand its cargo service offering in Australia. These financial statements include the impact of eight months' trading results.

On 30 August 2017 the Group acquired Gnewt Cargo Ltd, a company based in England. The Group has acquired the company to expand its delivery service offering in England. These financial statements include the impact of four months' trading results.

On 1 November 2017 the Group acquired Farnair Handling Kft, a company based in Hungary. The Group has acquired the company to expand its cargo service offering in Hungary. These financial statements include the impact of two months' trading results.

On 27 May 2017 the Group acquired 75% of the share capital of EM News Distribution (Ireland) Ltd and 25% of EM News Distribution (NI) Ltd (together EMND). This step acquisition enables the Distribution Division to realise the benefits of control and create the only news wholesaler serving the United Kingdom and Republic of Ireland. The intention is to use the existing network under the Division's control to diversify into the wider logistics and parcel carrier market. These financial statements include the impact of seven months' trading results.

	ASIG £m	Gold Coast Air Terminal Services Pty Ltd £m	EMND £m	Gnewt Cargo Ltd £m	Farnair Handling Kft £m	2017 £m	2016 £m
Purchase consideration:							
Cash paid	168.2	1.6	1.9	–	1.1	172.8	3.5
Impact of assets not transferred	(2.2)	–	–	–	–	(2.2)	–
Contingent consideration	–	0.8	–	–	–	0.8	–
Deferred consideration	–	–	–	–	–	–	0.5
Fair value of existing equity interest in joint ventures	–	–	5.8	–	–	5.8	–
Total purchase consideration	166.0	2.4	7.7	–	1.1	177.2	4.0
Less: non-controlling interest acquired	4.2	–	–	–	–	4.2	–
Less: fair value of net assets acquired	88.4	1.4	4.4	(0.2)	1.0	95.0	3.6
Goodwill	73.4	1.0	3.3	0.2	0.1	78.0	0.4

The non-controlling interest relating to ASIG is 49% of the net liabilities of ASIG Thailand (Company) Ltd of £8.6m.

Goodwill recognised with respect to ASIG is primarily attributable to workforce expertise and synergies with other Group companies. Goodwill recognised with respect to all other acquisitions relates to anticipated synergies with other Group companies.

Notes to the Accounts continued

25. Acquisitions continued

The fair value of assets and liabilities arising from the acquisitions are:

	ASIG £m	Gold Coast Air Terminal Services Pty Ltd £m	EMND £m	Gnewt Cargo Ltd £m	Farnair Handling Kft £m	2017 £m	2016 £m
Intangible assets – customer relationships and contracts	31.8	1.6	2.0	–	0.4	35.8	2.7
Intangible assets – brand	6.6	–	–	–	–	6.6	–
Deferred tax assets	3.6	–	–	–	–	3.6	–
Property, plant and equipment	30.9	0.1	0.6	0.1	0.2	31.9	0.6
Inventory	2.5	–	2.5	–	–	5.0	0.1
Trade and other receivables	89.5	0.2	10.7	0.6	0.5	101.5	1.4
Cash	12.3	0.2	0.2	–	0.2	12.9	0.3
Trade and other payables	(71.4)	–	(11.0)	(0.9)	(0.3)	(83.6)	(0.9)
Provisions	(11.2)	–	(0.1)	–	–	(11.3)	(0.1)
Current income tax liabilities	(0.7)	(0.2)	(0.2)	–	–	(1.1)	(0.1)
Borrowings	–	–	–	–	–	–	(0.3)
Deferred tax liability	(5.5)	(0.5)	(0.3)	–	–	(6.3)	(0.1)
Net assets acquired at fair value	88.4	1.4	4.4	(0.2)	1.0	95.0	3.6

The fair value of the acquired ASIG net assets has decreased by £5.9m from the amounts recognised in the June 2017 results announcement. The reduction primarily relates to the recognition of additional fair value provisions of £5.4m, and property, plant and equipment fair value adjustments of £2.3m, partly offset by higher intangible assets relating to customer relationships of £2.5m.

Current assets acquired with ASIG include £64.0m of trade receivables at fair value. Current assets acquired with all other acquisitions include £5.1m of trade receivables at fair value, the gross amount acquired. The fair values of the net assets of all companies acquired except ASIG remain provisional pending the formal completion of the valuation process.

The acquired businesses contributed £11.0m profit before taxation excluding the amount contributed from EMND as joint venture undertakings to 27 May 2017 and £380.3m revenue from acquisition date.

If the businesses had been acquired on 1 January 2017, Group revenue and profit before taxation would have been £2,561.6m and £30.1m, respectively. The acquired ASIG business contributed £291.7m revenue and £7.3m profit before taxation from acquisition date. Transaction fees of £2.4m relating to acquisitions were incurred and expensed during the period.

Deferred consideration

Deferred consideration of £0.2m relating to the acquisition of Renaissance Aviation Ltd was cash settled in March 2017. Deferred consideration of £0.3m relating to the acquisition of AJG Parcels Ltd was cash settled in May 2017. Deferred consideration of £0.2m relating to the acquisition of Thistle Couriers Ltd was cash settled in February 2017.

26. Related Party Transactions

During the year the Group transacted with related parties in the normal course of business and on an arm's length basis. These sales to and from related parties are made at normal market prices. Details of these transactions are:

Related party	Group share holding %	Sales to related party £m	Amounts owed to related party at 31 December 2017 £m	Amounts owed by related party at 31 December 2017 £m
Hyderabad Menzies Air Cargo Private Ltd	49	0.1	–	0.1
Menzies Aviation Bobba (Bangalore) Private Ltd	49	0.1	–	–
Menzies Macau Airport Services Ltd	29	0.4	–	–
EM News Distribution (NI) Ltd	50	0.2	–(i)	–(i)
EM News Distribution (Ireland) Ltd	50	0.4	–(i)	–(i)

Note:
(i) Following the step acquisition set out in Note 25 these entities are no longer joint venture undertakings at 31 December 2017.

Key Management includes individuals who are Directors of the Company and those having authority and responsibility for planning, directing and controlling activities of the Operating Divisions as disclosed in the segmental analysis. Remuneration of key Management personnel is:

	2017 £m	2016 £m
Short-term employee benefits	6.8	5.5
Post-employment pension and medical benefits	0.5	0.5
Termination payments	–	0.1
Share-based payments	1.4	0.7
	8.7	6.8

Certain activities, including treasury, taxation, insurance, pension and legal matters are provided by the Company to subsidiary companies and are recharged on a cost-plus basis. The amount recharged and settled in respect of 2017 was £0.2m (2016: £0.2m).

The amounts owed to and due by the Company from dealings with subsidiary companies are disclosed in Notes 15 and 16.

Transactions between the Company and other Group companies primarily related to financing activities.

27. Related Undertakings

The subsidiary entities and entities in which the Company has a significant interest at 31 December 2017 are disclosed as an appendix to these financial statements.

Notes to the Accounts continued

28. Prior Year Adjustment

As set out in Note 1, Management's review of the impact of IFRS 15 Revenue from Contracts with Customers has highlighted that the historic accounting treatment does not comply fully with IAS 18 Revenue. Although the historic approach adopted was not materially misstated, with the imminent application of IFRS 15 it is considered qualitatively material and therefore there is a need for a restatement to the historic Group Balance Sheets to recognise a sales returns asset and corresponding liability. The movement in these amounts also requires to be shown in the Group Income Statement.

There is no impact from this restatement on the Group Statement of Comprehensive Income, the Group Cash Flow Statement, the Group's earnings per share or on the Company's financial statements.

Impact on Group Income Statement

For the year ended 31 December 2016	As previously reported £m	Prior year adjustment £m	As restated £m
Revenue	1,981.6	0.9	1,982.5
Net operating costs	(1,961.5)	(0.9)	(1,962.4)
Operating profit before joint ventures and associates	20.1	–	20.1
Share of post-tax results of joint ventures and associates	7.5	–	7.5
Operating profit	27.6	–	27.6
Finance income	0.7	–	0.7
Finance charges excluding retirement benefit obligation interest	(6.9)	–	(6.9)
Retirement benefit obligation interest	(1.6)	–	(1.6)
Profit before taxation	19.8	–	19.8
Taxation	(11.8)	–	(11.8)
Profit for the year	8.0	–	8.0

Impact on Group Balance Sheet

	2016			2015		
	As previously reported	Prior year adjustment	As restated	As previously reported	Prior year adjustment	As restated
Assets						
Non-current assets	286.4	–	286.4	261.3	–	261.3
Current assets						
Inventories	16.0	–	16.0	14.7	–	14.7
Trade and other receivables	243.6	(18.8)	224.8	201.9	(19.7)	182.2
Derivative financial assets	0.4	–	0.4	0.6	–	0.6
Cash and cash equivalents	38.9	–	38.9	34.1	–	34.1
	298.9	(18.8)	280.1	251.3	(19.7)	231.6
Liabilities						
Current liabilities						
Borrowings	(39.0)	–	(39.0)	(3.4)	–	(3.4)
Derivative financial liabilities	(6.1)	–	(6.1)	(2.3)	–	(2.3)
Trade and other payables	(249.9)	15.7	(234.2)	(217.3)	16.6	(200.7)
Current income tax liabilities	(11.3)	–	(11.3)	(10.0)	–	(10.0)
Provisions	(4.2)	–	(4.2)	(4.9)	–	(4.9)
	(310.5)	15.7	(294.8)	(237.9)	16.6	(221.3)
Net current (liabilities)/assets	(11.6)	(3.1)	(14.7)	13.4	(3.1)	10.3
Total assets less current liabilities	274.8	(3.1)	271.7	274.7	(3.1)	271.6
Non-current liabilities	(146.5)	–	(146.5)	(203.5)	–	(203.5)
Net assets	128.3	(3.1)	125.2	71.2	(3.1)	68.1
Shareholders' equity						
Ordinary shares	20.9	–	20.9	15.4	–	15.4
Share premium account	20.5	–	20.5	20.4	–	20.4
Treasury shares	(1.6)	–	(1.6)	(1.8)	–	(1.8)
Other reserves	(4.6)	–	(4.6)	(21.6)	–	(21.6)
Merger relief reserve	67.3	–	67.3	–	–	–
Retained earnings	3.2	(3.1)	0.1	35.6	(3.1)	32.5
Capital redemption reserve	21.6	–	21.6	21.6	–	21.6
Total shareholders' equity	127.3	(3.1)	124.2	69.6	(3.1)	66.5
Non-controlling interest in equity	1.0	–	1.0	1.6	–	1.6
Equity	128.3	(3.1)	125.2	71.2	(3.1)	68.1

Impact on Group Statement of Changes in Equity

Retained earnings at 1 January 2016 and 1 January 2017 have both been reduced by £3.1m.

Five Year Summary

	2017 £m	2016(i) £m	2015 £m	2014 £m	2013 £m
Revenue					
Aviation	**1,273.6**	843.4	728.0	718.8	702.5
Distribution	**1,186.9**	1,139.1	1,171.2	1,184.1	1,202.9
	2,460.5	1,982.5	1,899.2	1,902.9	1,905.4
Underlying operating profit					
Aviation	**58.8**	34.2	23.1	30.2	37.8
Distribution	**24.8**	24.7	25.1	24.0	24.3
	83.6	58.9	48.2	54.2	62.1
Corporate	**(5.7)**	(3.7)	(3.3)	(3.2)	(2.0)
	77.9	55.2	44.9	51.0	60.1
Exceptional and other items	**(37.6)**	(26.3)	(17.6)	(16.4)	(8.7)
Share of joint ventures and associates interest and tax	**(1.1)**	(1.3)	(1.5)	(1.5)	(1.1)
Profit before interest	**39.2**	27.6	25.8	33.1	50.3
Net finance costs	**(12.5)**	(7.8)	(7.6)	(7.4)	(8.2)
Profit before taxation	**26.7**	19.8	18.2	25.7	42.1
Per ordinary share					
Dividends paid	**19.1p**	17.2p	13.1p	26.9p	25.6p
Underlying earnings	**57.2p**	47.8p	37.8p	43.5p	58.0p
Basic earnings	**15.1p**	11.8p	14.6p	20.1p	44.3p

Note:
(i) As set out in Note 28 revenue has been restated in the Distribution Division.

Subsidiary, Joint Venture and Associate Undertakings
At 31 December 2017

Interests in all of the companies listed below are in the ordinary share capital of these undertakings, except where otherwise stated.

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Administracion de Servicios en Tierra, S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Aeroground, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Air Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International (Aust) Pty Ltd	Australia	Unit 12, Discovery Cove, 1801 Botany Road, Banksmeadow NSW 2019	Indirect
Air Menzies International (Cape) Proprietary Ltd	South Africa	New Agents Road, Unit 6, Air Cargo Centre, Cape Town International Airport, Cape Town	Indirect (65%)
Air Menzies International (India) Private Ltd	India	Cargo Terminal 1, Kempegowda International Airport, Bangalore 560300	Indirect
Air Menzies International (Netherlands) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Air Menzies International (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Air Menzies International Holding (NZ) Ltd	New Zealand	c/o Buddle Findlay, Level 18, PwC Tower, 188 Quay Street, Auckland 1140	Indirect
Air Menzies International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Air Menzies International SA Proprietary Ltd	South Africa	Unit 3 Aviation Park, 17 Pomona Road, Kempton Park, Johannesburg	Indirect
Airbase Flight Support Ltd	Isle of Man	66 Athol Street, Douglas IM1 1JE	Indirect
Airbase Flight Support Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Aircraft Service International Group, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Aircraft Service International, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Airports Bureau Systems Ltd	United Kingdom	Windmill House, 91-93 Windmill Road, Sunbury-on-Thames TW16 7EF	Indirect
AMI Ocean Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
ASIG (Thailand) Co. Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (51%)
ASIG (U.K.) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Canada Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
ASIG Ground Handling Canada Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
ASIG Holdings (Barbados) Ltd	Barbados	The Phoenix Centre, George Street, Belleville, St. Michael	Indirect
ASIG Holdings Corp.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
ASIG Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Lounge, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
ASIG Manchester Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
ASIG Nassau Fueling Services Ltd	Bahamas	3rd Floor. Shirley House, 253 Shirley Street, P.O. Box N-624, Nassau	Indirect
AU Logistics Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Australian AirSupport Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Aviation Consultancy Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Aviation Service Leader (Chile) S.A.	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
Boker Aeroclean Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
BP Travel Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargo 2000 Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cargosave Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Chester Independent Wholesale Newsagents Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Coronet Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Cranford Forwarders Bond Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Czech GH s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect
DNDS Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Edinburgh Arts and Entertainment Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Elmdon Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
EM News Distribution (Ireland) Ltd	Republic of Ireland	10 Earlsford Terrace, Dublin 2	Indirect
EM News Distribution (NI) Ltd	United Kingdom	Victoria House, Gloucester Street, Belfast BT1 4LS	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Express Handling (Scotland) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
FARNAIR Handling Szolgáltató Kft.	Hungary	H-2220 Vecses, Lorinci str. 59, C Building, Budapest	Indirect
FMD Ltd	United Kingdom	Unit 1 Griffin Business Park, Walmer Way, Birmingham B37 7UX	Indirect
Fore Retail Consultancy Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Gold Cost Air Terminal Services Pty	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Gnewt Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Heathrow Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
HO/Menzies Investimentos & Transportes Investments Limitada	China	Avenida da Praia Grande 665, Edificio Great Will, Macau	Indirect
James Waddell & Company Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
JEM Education Direct Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
JM Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
JM Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies (108) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
John Menzies (Birmingham) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
John Menzies (Edinburgh) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies (GB) Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
John Menzies Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Digital Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
John Menzies Distribution Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Finance Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
John Menzies Holding GmbH	Germany	Rechtsanwaelte Hoelters & Elsing, Immermannstrasse 40, 40210 Dusseldorf	Indirect
John Menzies International Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
John Menzies USA Holdings, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
John Menzies USA, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Direct
Jones, Yarrell & Co. Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Jones Yarrell Leadenhall Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Leisure Target Tourism Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
London Cargo Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
London Cargo Imports Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Lonsdale Universal Trustees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Luton Ramp Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Luton Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MA Secretaries Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
MAG Nominees Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Magazine Solutions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Mancargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Manchester Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Manchester Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
MCS Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
MDL Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Media on the Move Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation – Portugal – Servicos De Carga, Unipessoal, LDA	Portugal	Avenida Antonio Augusto de Aguiar, No. 183, R/C Dto., 1050-014 Lisbon	Indirect
Menzies Aviation (Africa) Pty Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect
Menzies Aviation (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation (ASIG Ground Handling) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (ASIG) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Australia) Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Aviation) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation (Canada) Ltd	Canada	6500 Silver Dart Drive, Suite 257, Mississauga, Ontario L5P 1B2	Indirect
Menzies Aviation (Cargo) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Chengdu) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Czech) s.r.o.	Czech Republic	K Letisti 1049/57, 161 00 Prague 6	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (DEL), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Denmark) A/S	Denmark	Copenhagen Airport, Terminal 2, Lufthavnsboulevarden 6, 2770 Kastrup	Indirect
Menzies Aviation (Dominicana) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (EMEA) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation (EMEA) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (FR9) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (France) SAS	France	Aeroport Toulouse Blagnac, Hall C, 31700 Blagnac	Indirect
Menzies Aviation (Freighter Handling) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Fuelling) France	France	Aeroport Toulouse Blagnac, Hall C, 31700 Blagnac	Indirect
Menzies Aviation (Ground Services) Australia Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation (Handling) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (Hungary) Kft.	Hungary	Liszt Ferenc Nemzetkozi Repuloter, Repules Oktatasi Kozpont, 17, sz H-1185 Budapest	Indirect
Menzies Aviation (Ibérica) S.A.	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation (India) Private Ltd	India	Plot No-C-04L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect
Menzies Aviation (Ireland) Limited	Republic of Ireland	First Floor, Riverside Two, 43/49 Sir John Rogerson's Quay, Dublin 2	Indirect
Menzies Aviation (Italy) srl	Italy	Via Carducci 11, 20123, Milan	Indirect
Menzies Aviation (LCC) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (Lounge) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Luton) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation (Mumbai) Passenger Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation (Namibia) Proprietary Ltd	Namibia	Bougain Villas, 78 Sam Mujoma Drive, Windhoek	Indirect
Menzies Aviation (New Zealand) Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Menzies Aviation (NL) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Oslo) AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Aviation (Poland) Sp. z o.o.	Poland	ul. Sienna 72/3, 00-833 Warsaw	Indirect
Menzies Aviation (Romania) S.A.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect
Menzies Aviation (Santo Domingo) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (Schiphol) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation (South Africa) (Cargo) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International Airport, Cape Town	Indirect (65%)
Menzies Aviation (South Africa) (Cleaning) Proprietary Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International, Airport, Cape Town	Indirect (65%)
Menzies Aviation (South Africa) (Pty) Ltd	South Africa	Unit F4, CTX Business Park, Cape Town International, Airport, Cape Town	Indirect (65%)
Menzies Aviation (Stockholm) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation (Support Services) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Support) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation (Sverige) AB	Sweden	Box 197, SE 190-45, Stockholm, Arlanda	Indirect
Menzies Aviation (Sweden) AB	Sweden	Box 51, 230 32 Malmo, Sturup	Indirect
Menzies Aviation (Texas), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (UK) Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation (Washington), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation (Windhoek Lounge) (Pty) Ltd	Namibia	Bougain Villas, 78 Sam Mujoma Drive, Windhoek	Indirect
Menzies Aviation Alicante UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Almeria UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Bermuda Ltd	Bermuda	Thistle House, 4 Burnaby Street, Hamilton HM 11	Indirect
Menzies Aviation Cargo (Bangalore) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Hyderabad) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation Cargo (Romania) S.R.L.	Romania	Henri-Coanda International Airport, Calea Bucurestilor no 224E, Otopeni City, Ilfov	Indirect
Menzies Aviation Colombia Holdings S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Colombia S.A.S.	Colombia	Carrera 7, No 71 – 21 Torre A, Oficina 602, Bogota	Indirect
Menzies Aviation Contracts (NL) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Aviation Corporate Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Denmark Lounges A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect
Menzies Aviation Deutschland Verwaltungs GmbH	Germany	Carl-Theodor-Strasse 6, 40213, Dusseldorf	Indirect (75%)
Menzies Aviation Finance (USA) LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation Fuelling Panama, Inc.	Panama	c/o Patton, Moreno & Asvat, Capital Plaza, 8th Floor, Roberto Motta Ave., Costa del Este, Panama City	Indirect
Menzies Aviation Group (Philippines) B.V.	The Netherlands	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Indirect
Menzies Aviation Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Asia Pacific) Ltd	British Virgin Islands	Newhaven Corporate Services (BVI) Limited, 3rd Floor, Omar Hodge Building, Wickhams Cay I, PO Box 362, Road Town, Tortola	Indirect
Menzies Aviation Holdings (Australia) Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Menzies Aviation Holdings (Brasil) Ltda	Brazil	Avenida Nove de Julho no. 4865, 5 Andar, Conjunto 51, Sala A, Sao Paulo	Indirect
Menzies Aviation Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Holdings (Venezuela) S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Hyderabad (Passenger) Ltd	Mauritius	5th Floor, Ebene Esplanade, 24 Cybercity, Ebene	Indirect
Menzies Aviation, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation International Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Jerez UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Aviation Leasing (Mexico) S.A. de C.V.	Mexico	Plaza Alamos Local 2, SM 311, MZ 26 Lote 03-01 Boulevard Luis Donaldo Colosio C.P. 77560, Cancun, Quintana Roo	Indirect
Menzies Aviation Murcia-San Javier UTE	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation plc	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Puerto Plata S.A.	Dominican Republic	7 and 8 of General Gregorio Luperón, International Airport, Sosua, Puerto Plata	Indirect
Menzies Aviation Services (Asia Pacific) LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Aviation Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Aviation Services SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation Services Venezuela S.A.	Venezuela	Aeropuerto Internacional Simon Bolivar, Nivel 1, Sector 1, Maiquetia	Indirect
Menzies Aviation Spain SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect
Menzies Aviation St. Maarten B.V.	Sint Maarten	P.O. Box 2003, Princess Juliana Airport	Indirect
Menzies Aviation Washing Denmark A/S	Denmark	Menzies Aviation, Copenhagen Airport, Petersdalvej 13, 1st, 2770 Kastrup	Indirect
Menzies Aviation Washing Oslo AS	Norway	Sigrid Undsets plass, Terminalen, 2060 Gardermoen, 0235 Ullensaker	Indirect
Menzies Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Client Solutions (USA), Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Client Solutions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Digital Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Distribution Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Express Baggage Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Group Holdings Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Parcels Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Menzies Security Services B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies Select Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Services, Inc.	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Menzies Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
Menzies Travel Media Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Menzies Wholesale Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Menzies World Cargo (Rotterdam) B.V.	The Netherlands	Brandenburghbaan 2b, 3045 AK Rotterdam	Indirect
Menzies World Cargo (Amsterdam) B.V.	The Netherlands	Anchoragelaan 50, 1118 LE Luchthaven Schiphol	Indirect
Menzies World Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Menzies Worldwide Distribution Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Moose Aviation Services AB	Sweden	Box 2, 190 45 Stockholm, Arlanda	Indirect
MPF Trustee Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Direct
Oban Express Parcel Service Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Ogden Aviation Services (Chile) Ltda	Chile	Est. Arturo Alessandri, Amunategui 277, 3F, Santiago	Indirect
Ogden Cargo Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Mailing Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Mailing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Marketing Services Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Orbital Print Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Perth Cargo Centre Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
PlaneBiz 2015 Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect (60%)
PMD Healthcare Marketing Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Princes Street (Jersey) Ltd	Jersey	47 Esplanade, St Helier JE1 0BD	Indirect
Reed Aviation Spain SL	Spain	Calle Nunez Morgado 6-Bj Dc, 28036 Madrid	Indirect

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Rose Street Nominees Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
Simplicity Ground Services, LLC	United States	251 Little Falls Drive, Wilmington, Delaware 19808	Indirect
Skycare Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skyport Handling Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Skystar Airport Services NZ Pty Ltd	New Zealand	George Bolt Memorial Drive, Auckland Airport, Auckland 2022	Indirect
Skystar Airport Services Pty Ltd	Australia	c/o Norton Rose Fulbright, Level 21, 111 Eagle Street, Brisbane QLD 4000	Indirect
Southampton Airport Cargo Services Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Take One Media Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
The London Cargo Centre Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Thistle Couriers Ltd	United Kingdom	2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ	Indirect
The Menzies Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Direct
The Network (Field Marketing & Promotions) Company Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Top Attractions Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Subsidiary, Joint Venture and Associate Undertakings continued

Subsidiary undertakings	Country of incorporation	Registered address	Direct or indirect holding (100% unless otherwise stated)
Wyng Group Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect
Wyng Roadflight Ltd	United Kingdom	2 World Business Centre Heathrow, Newall Road, London Heathrow Airport, Hounslow TW6 2SF	Indirect

Joint venture and associate undertakings	Country of incorporation	Registered address	Holding
Aircraft Service International Group Holdings (Thailand) Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (49.6%)
AMI Asia HK Ltd	China	Room 1403, Causeway Commercial Building, 3 Sugar Street, Causeway Bay, Hong Kong	Indirect (50%)
ASIG Tanking (Thailand) Ltd	Thailand	7th-9th & 16th Floor, Bubhajit Building, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500	Indirect (40%)
Hyderabad Menzies Air Cargo Private Ltd	India	Air Cargo Terminal, Rajiv Gandhi International Airport, Shamshabad, Hyderabad 500409	Indirect (49%); 100% of preference shares
Menzies Aviation Bobba (Bangalore) Private Ltd	India	Plot No-C-04L, Cargo Terminal-1, Kempegowda International Airport, Devanahalli, Bangalore 560300	Indirect (49%); 100% of preference shares
Menzies Bobba Ground Handling Services Private Ltd	India	H.No.6-3-345/1/2, Flat No. 102, Apurupa Classic, Road No. 1, Banjara Hills, Hyderabad 500034	Indirect (51%)
Menzies Macau Airport Services Ltd	China	Avenido de Aeroporto, Edificio Airport Logistic Business Centre, 1 andar, sala 52, Taipa, Macau	Indirect (29%)
Swissport Menzies Handling PMR UTE	Spain	Avenida Central 25, 28042 Madrid	Indirect (19.5%)
Worldwide Magazine Distribution Ltd	United Kingdom	Unit 1 Griffin Business Park, Walmer Way, Birmingham B37 7UX	Indirect (50%)
Zaankracht Uitzendbureau Schiphol B.V.	The Netherlands	Stationsplein 979, 1117 CE Schiphol	Indirect (30%)

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt about what action you should take you are recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if outside the United Kingdom, another appropriately authorised financial adviser. If you have sold or transferred all of your ordinary shares in John Menzies plc, you should forward this document, together with accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of John Menzies plc (the "**Company**") will be held in the Waldorf Astoria Edinburgh – The Caledonian, Princes Street, Edinburgh, EH1 2AB on Friday 18 May 2018 at 2:00pm (the "**Meeting**") to transact the following business:

Ordinary Resolutions

To consider and, if thought fit, pass Resolutions 1-15, each of which will be proposed as an ordinary resolution:

1. Report and Accounts
To receive the Annual Accounts of the Company for the financial year ended 31 December 2017, the Strategic Report and the Reports of the Directors and Auditor thereon.

2. Remuneration Report
To approve the Report on Directors' Remuneration (excluding the Directors' Remuneration Policy) as set out in the Annual Report and Accounts for the financial year ended 31 December 2017.

3. Dividend
To declare a final dividend of 14.5 pence per ordinary share in the Company for the financial year ended 31 December 2017.

4–12. Election and re-election of directors

4. To elect Philipp Joeinig as a director of the Company.

5. To re-elect Paul Baines as a director of the Company.

6. To re-elect Forsyth Black as a director of the Company.

7. To re-elect Geoff Eaton as a director of the Company.

8. To re-elect David Garman as a director of the Company.

9. To re-elect John Geddes as a director of the Company.

10. To re-elect Silla Maizey as a director of the Company.

11. To re-elect Dermot Smurfit as a director of the Company.

12. To re-elect Giles Wilson as a director of the Company.

13. Re-appointment of auditor
To re-appoint Ernst & Young LLP as the Company's auditor to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which Annual Accounts are laid before the Company.

14. Remuneration of auditor
To authorise the directors of the Company to fix the remuneration of the Company's auditor.

Notice of Annual General Meeting continued

15. Authority to allot shares

That the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the "**2006 Act**"), to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company, such rights and shares together being "relevant securities":

a) otherwise than pursuant to paragraph (b) below, up to an aggregate nominal amount of £6,988,085 (such amount to be reduced by the aggregate nominal amount of any equity securities (as defined by section 560 of the 2006 Act) allotted under paragraph (b) below in excess of £6,988,085); and

b) comprising equity securities up to an aggregate nominal amount of £13,976,170 (such amount to be reduced by the nominal amount of any relevant securities allotted under paragraph (a) above) in connection with an offer by way of a rights issue to: (i) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings; and (ii) holders of equity securities in the capital of the Company as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements, record dates, legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter;

and provided that (unless previously renewed, varied or revoked) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 30 June 2019 save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for and to the exclusion of all unexercised existing authorities previously granted to the Directors under the 2006 Act but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

Special Resolutions

To consider, and if thought fit, pass Resolutions 16 and 17, each of which will be proposed as a special resolution:

16. Purchase of own ordinary shares by the Company

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (the "**2006 Act**") to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its own ordinary shares of 25p each ("**Ordinary Shares**"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

a) the maximum number of Ordinary Shares hereby authorised to be purchased is 8,385,702, representing approximately 10% of the issued ordinary share capital of the Company as at 30 March 2018;

b) the maximum price which may be paid for each such Ordinary Share under this authority shall be the higher of:
   i) an amount equal to 105% of the average of the middle market quotations for any such Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and
   ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 16 will be carried out),

   and the minimum price which may be paid for any such Ordinary Share is 25p, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 30 June 2019 except in relation to the purchase of Ordinary Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

17. Purchase of own preference shares by the Company

That the Company be and is hereby authorised pursuant to section 701 of the Companies Act 2006 (the "**2006 Act**") to make market purchases (within the meaning of section 693(4) of the 2006 Act) of its own 9% cumulative preference shares of £1 each ("**Preference Shares**"), on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

a) the maximum number of Preference Shares hereby authorised to be purchased is 1,394,587, representing 100% of the issued Preference Share capital of the Company as at 30 March 2018;

b) the maximum price which may be paid for each such Preference Share under this authority shall be the higher of:
   i) an amount equal to 110% of the average of the middle market quotations for any such Preference Share as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the date of conclusion of the contract for any such purchase; and
   ii) the amount stipulated by Article 5(1) of the EU Buy-back and Stabilisation Regulation 2003 (being the higher of the price of the last independent trade and the highest current independent bid for a Preference Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by this Resolution 17 will be carried out),

   and the minimum price which may be paid for any such Preference Share is £1, in each case exclusive of the expenses of purchase (if any) payable by the Company; and

c) the authority hereby conferred shall expire (unless previously renewed, varied or revoked) at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 30 June 2019, except in relation to the purchase of Preference Shares for which a contract was concluded before the authority expired and which might or will be executed wholly or partly after its expiration and the Company may make such a purchase in pursuance of such contract as if the authority hereby conferred had not expired.

Approved and issued by the Board of Directors.

On behalf of the Board of Directors

John Geddes
Company Secretary & Director of Corporate Affairs
30 March 2018

Notice of Annual General Meeting continued

Explanatory Notes

The following information provides additional background information to several of the proposed Resolutions:

Resolution 2: Remuneration Report

In accordance with the provisions of the Companies Act 2006 (the "**2006 Act**"), the Company's Report on Directors' Remuneration (excluding the Directors' Remuneration Policy (the "**Remuneration Policy**")) will be put to an annual shareholder vote by ordinary resolution. This vote is advisory in nature and is in respect of the overall remuneration package which is in place for directors of the Company (the "**Directors**") – it is not specific to individual levels of remuneration nor is the entitlement of a Director to remuneration conditional on the vote being passed.

The Remuneration Policy is, however, subject to a binding shareholder vote by ordinary resolution at least every three years. A new Remuneration Policy was proposed and approved at the Company's annual general meeting ("**AGM**") in May 2017, further details of which are set out on pages 69 to 73 of the Annual Report and Accounts 2017. The Company cannot make a remuneration payment to a current or prospective Director or a payment for loss of office to a current or past Director unless such payment is consistent with the Remuneration Policy or has been approved by a resolution of the Company's shareholders.

Resolutions 4-12: Election and re-election of Directors

Biographical details of the Directors to be elected or re-elected, as is the case, at this year's AGM can be found on pages 52 and 53 of the Annual Report and Accounts 2017. Philipp Joeinig, having been appointed as a Director since last year's AGM, will stand for election in accordance with the Company's Articles of Association and, in accordance with the principles of good governance set out in the UK Corporate Governance Code, all other Directors who will continue following the AGM will seek re-election.

In proposing the election or re-election, as is the case, of the Directors, the Chairman has confirmed that, following rigorous internal performance evaluations (described on page 57 of the Annual Report and Accounts 2017), each individual continues to make an effective and valuable contribution to the Board and demonstrates commitment to their role.

Resolution 15: Authority to allot shares

The Investment Management Association's Share Capital Management Guidelines (the "**IMA Guidelines**") permit, and regard as routine, an authority to allot up to two-thirds of a company's existing issued share capital. They provide that any amount in excess of one-third of a company's issued share capital should only be applied to fully pre-emptive rights issues.

At the Company's AGM in May 2017, the Directors were given authority to allot shares in the capital of the Company up to an aggregate nominal amount of £13,941,418, representing approximately two-thirds of the Company's issued ordinary share capital as at 24 March 2017. To the extent not utilised, this authority is due to expire at the end of this year's AGM.

It is considered appropriate that the Directors again be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £13,976,170, which amount represents approximately two-thirds of the Company's issued ordinary share capital as at 30 March 2018 and thus complies with the IMA Guidelines. Accordingly, 27,952,340 ordinary shares of £0.25 each ("**Ordinary Shares**"), representing approximately one-third of the Company's issued ordinary share capital, may be allotted pursuant to a fully pre-emptive rights issue.

The authority sought by Resolution 15 will last until the conclusion of the next AGM of the Company or, if earlier, the close of business on 30 June 2019. The Directors have no present intention of exercising this authority, although they have confirmed that should the power authorised in Resolution 15 be utilised then all Directors would stand for re-election at the next AGM (as they currently do in accordance with the principles of good governance).

As at 30 March 2018, the Company held 145,170 of its Ordinary Shares in Treasury.

Resolutions 16 and 17: Authority to buy-back shares

Special Resolutions 16 and 17 give the Company authority to make market purchases of its Ordinary Shares and 9% cumulative preference shares ("**Preference Shares**") in the market, as permitted by the 2006 Act. The authorities set the minimum and maximum prices and limit the number of Ordinary Shares that can be purchased to 8,385,702 (representing approximately 10% of the issued Ordinary Shares as at 30 March 2018) and the number of Preference Shares to 1,394,587 (representing 100% of the issued Preference Shares as at 30 March 2018).

The authorities, if granted, will expire at the conclusion of the next AGM of the Company or, if earlier, at the close of business on 30 June 2019. The Directors have no present intention of exercising the authority to purchase the Preference Shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority would only be exercised if the Directors believed that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally.

As at 30 March 2018, the Company held 145,170 Ordinary Shares in Treasury. The Company may make purchases of its Ordinary Shares, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. No voting rights attach to Ordinary Shares whilst held in Treasury nor are dividends payable on them. The authority sought under Resolution 16 will only be exercised if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of the Company's shareholders generally. Any purchase of Ordinary Shares would be by means of market purchase through the London Stock Exchange.

Recommendation

The Directors consider that all the above Resolutions are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company. Accordingly, they unanimously recommend that you vote in favour of all proposed Resolutions.

Notes to the Notice of AGM

1. Information about the AGM is available from the Company's website found at www.johnmenziesplc.com.

2. As a shareholder, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

3. A Form of Proxy is enclosed. To be valid, your Form of Proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to Computershare Investor Services ("**Computershare**") at The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive no later than 48 hours before the commencement of the AGM. No amendments to, or submission or withdrawal of, any Form of Proxy shall be effective if lodged with Computershare less than 48 hours before the time appointed for the holding of the AGM or any adjourned meeting.

4. It is possible for you to submit your proxy votes online. Further information on this service can be found on your Form of Proxy or, if you receive communications electronically, voting information will be contained within your email broadcast.

5. If you appoint a proxy, this will not prevent you attending the AGM and voting in person if you wish to do so.

6. The right to vote at the AGM is determined by reference to the Company's Register of Members as at the close of business on Wednesday 16 May 2018 or, if the AGM is adjourned, at 5:00pm on the day two days prior to the adjourned meeting. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the AGM.

7. As a shareholder, you have the right to put questions at the AGM relating to the business being dealt with at the AGM.

Notice of Annual General Meeting continued

8. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

9. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 2, 3 and 4 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

10. As at 30 March 2018, the issued ordinary share capital of the Company comprised 84,002,198 Ordinary Shares and the Company held 145,170 of these Ordinary Shares in Treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 30 March 2018 is 83,857,028.

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) so as to arrive no later than 48 hours before the commencement of the AGM or any adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the shareholder information message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

15. Under section 338 of the 2006 Act, shareholders may require the Company to give, to shareholders of the Company entitled to receive this Notice of AGM, notice of a resolution which may properly be moved and is intended to be moved at the AGM. Under section 338A of the 2006 Act, shareholders may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business.

16. It is possible that, pursuant to requests made by shareholders of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM: or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the shareholder requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on a website under section 527 of the 2006 Act.

17. You may not use any electronic address provided either in this Notice of AGM or any related documents to communicate with the Company for any purpose other than as expressly stated.

Documents
The following documents will be available for inspection during usual business hours on any day (except Saturday, Sunday and Bank Holidays) from the date of sending this Notice of AGM up to and including the date of the AGM at the registered office of the Company and at the offices of the Company's solicitors, Dentons UKMEA LLP, at One Fleet Street, London EC4M 7RA:

(a) copies of the Directors' service contracts with the Company; and

(b) the terms of appointment of the Non-Executive Directors of the Company.

On the date of the AGM, these documents will be available for inspection at the venue of the AGM from 12 noon until the conclusion of the AGM.

General Information

Internet
The Company operates a website which can be found at www.johnmenziesplc.com. This site is regularly updated to provide you with information about the Company and its Operating Divisions. In particular, all of the Company's press releases and announcements can be found on this site together with copies of its Annual Reports and Accounts.

John Menzies plc Investor Relations App
The Company has an Investor Relations App for iPhone and iPad users. The App provides users with the Company's latest share price, regulatory and business news, annual/interim reports and presentations. The App can be downloaded via the Company's website or by visiting your App store.

Share Register and Shareholder Enquiries
Any enquiry concerning your shareholding should be directed to the Company's Registrar, Computershare Investor Services PLC ("**Computershare**"), and should clearly state your name, address and Shareholder Reference Number ("**SRN**"). The contact details are as follows:

Telephone:	+44 (0) 370 703 6303
Web:	www.investorcentre.co.uk
Email:	www.investorcentre.co.uk/contactus
Write:	The John Menzies plc Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

Computershare should be notified promptly in writing of any change in a shareholder's address. Computershare's online Investor Centre also enables you to view your shareholding and update your address and payment instructions online. You can register at www.investorcentre.co.uk. In order to register, you will need your SRN which you can find on your share certificate or dividend confirmation.

Share Price
The current price of the Company's ordinary shares of £0.25 each (the "**Ordinary Shares**") can be viewed on the Company's website at www.johnmenziesplc.com.

Telephone Share Dealing Service
A share dealing service has been arranged with Stocktrade which provides a simple way of buying or selling shares in the Company. To use this service you should call the following telephone number and quote reference 'John Menzies plc dial and deal':

Telephone: +44 (0) 131 240 0414

Commission for this share dealing service will be at a rate of 1% and will be subject to a minimum fee of £25. Additionally, UK share purchases will be subject to a 0.5% stamp duty charge whilst a levy of £1.00 will be imposed by the Panel for Takeovers and Mergers for single trades in excess of £10,000.

You will be required to pay for any shares purchased by debit card at the time of the transaction. You must therefore ensure you have sufficient cleared funds available in your debit card account to pay for the shares in full.

ShareGift
If you only have a small number of shares which may be uneconomic to sell, you may wish to consider donating them to the charity ShareGift (Registered Charity No. 1052686) which specialises in accepting such shares as donations. There are no implications for UK Capital Gains Tax purposes (no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. If you wish to do this then the details are as follows:

Telephone:	+44 (0) 20 7930 3737
Web:	www.sharegift.org
Email:	help@sharegift.org

Analysis of Shareholdings
At 31 December 2017

Shareholding (Ordinary Shares)	Number of shareholders	Percentage of shareholders	Total number of Ordinary Shares held	Percentage of Ordinary Shares held
1-1,000	2,930	80.24	678,942	0.80
1,001-5,000	461	12.63	962,042	1.15
5,001-10,000	63	1.73	467,050	0.56
10,001-100,000	119	3.26	4,369,136	5.20
Over 100,000	78	2.14	77,478,781	92.29
Total	**3,651**	**100.00**	**83,955,951**	**100.00**

Payment of Dividends
It is in the interests of both the Company and its shareholders for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact Computershare to obtain a dividend mandate form.

9% Cumulative Preference Shares
Dividends will be paid on 29 March 2018 and 1 October 2018.

Ordinary Shares
A final dividend of 14.5p per Ordinary Share was proposed by the Directors on 13 March 2018 and, subject to shareholder approval, will be paid on 2 July 2018 to shareholders on the Company's Register of Members as at the close of business on 25 May 2018.

Any interim dividends for the financial year ended 31 December 2018 will be paid on 16 November 2018 to shareholders on the Company's Register of Members as at close of business on 19 October 2018.

Investor Relations
For any Investor Relations enquiries, please contact the Company by one of the following means:

Telephone:	+44 (0) 131 225 8555
Email:	investor.relations@johnmenziesplc.com
Write:	John Menzies plc, 2 Lochside Avenue, Edinburgh Park, Edinburgh EH12 9DJ, marked for the attention of John Geddes, Company Secretary & Director of Corporate Affairs

General Information continued

Principal Advisers

Auditors
Ernst & Young LLP
3rd Floor, 144 Morrison Street
Edinburgh EH3 8EB

Corporate advisers and joint broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Row
London EC4M 7LT

Joint broker
Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Principal business address
John Menzies plc
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Telephone: +44 (0) 131 225 8555
Email: info@johnmenziesplc.com

Menzies Aviation
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Telephone: +44 (0) 131 467 8070

Menzies Distribution
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ

Telephone: +44 (0) 131 467 8070

Corporate Calendar
(Provisional dates)

13 March 2018	Preliminary announcement of Annual Results
29 March 2018	Payment of dividend on Preference Shares
5 April 2018	Annual Report and Accounts and Notice of AGM released
18 May 2018	AGM
25 May 2018	Record date for final dividend on Ordinary Shares
2 July 2018	Payment of final dividend on Ordinary Shares
14 August 2018	Announcement of Interim Results
1 October 2018	Payment of dividend on Preference Shares
19 October 2018	Record date for interim dividend on Ordinary Shares
16 November 2018	Payment of interim dividend on Ordinary Shares

Notes

MIX
Paper from responsible sources
FSC® C023105
www.fsc.org

Designed and produced by emperor
Visit us at emperor.works

John Menzies plc

JOHN MENZIES PLC
Registered office:
2 Lochside Avenue
Edinburgh Park
Edinburgh EH12 9DJ
Tel: +44 (0) 131 225 8555
Fax: +44 (0) 131 220 1491
Email: info@johnmenziesplc.com
Web: www.johnmenziesplc.com
Registered in Scotland with company number SC34970